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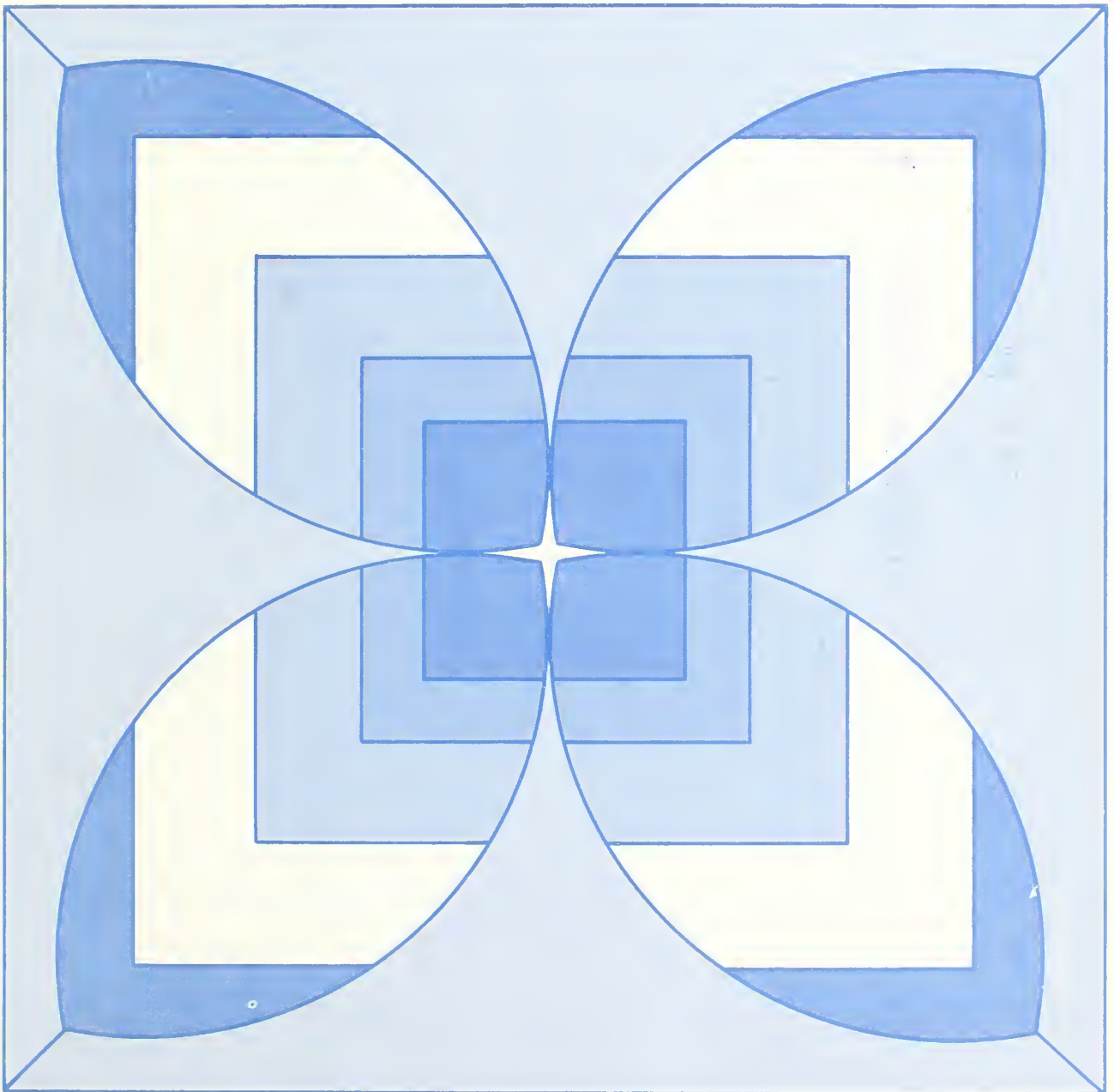
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The EC Market for U.S. Agricultural Exports

A Share Analysis

Harold A. McNitt



THE EC MARKET FOR U.S. AGRICULTURAL EXPORTS: A SHARE ANALYSIS. By Harold A. McNitt. International Economics Division, Economic Research Service, U.S. Department of Agriculture. FAER-179.

ABSTRACT

European Community (EC) imports from the United States rose from \$2.5 billion in 1970 to \$9.2 billion in 1979, making the EC the largest U.S. agricultural export market. The United States should continue as the predominant supplier to the EC of soybeans, sunflowerseed, corn gluten feed, peanuts, citrus pulp, and some animal products, and should remain among the two principal suppliers of soybean meal and corn during 1981-85. U.S. exports to the EC of most fruits and vegetables, processed foods, meats, and several other commodities are curtailed, however, by EC agricultural trade policies. This report assesses the market potential for all major U.S. exports.

Keywords: U.S. exports, agricultural exports, European Community, Common Agricultural Policy

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Washington, D.C. 20250

March 1983

FOREWORD

The European Community (EC) is in the process of its second enlargement, which began when Greece joined the EC on January 1, 1981. Enlargement is expected to extend to Spain and Portugal by the mideighties.

The second enlargement appears to be even more significant than the first (which took place in January 1973 when Denmark, Ireland, and the United Kingdom joined the original six members) because it will considerably increase the economic and agricultural diversity in the EC. The second enlargement also will occur in the context of a serious dialogue on modification of the Common Agricultural Policy (CAP) necessitated by an impending budget crisis. In recent years, the expansion of surplus agricultural production in the EC has led to massive and rapidly increasing expenditures under the CAP for surplus disposal. Expenditures are on the verge of exceeding revenues available to the EC through their own resources provided by the basic treaties. Significant adjustments of the CAP appear inevitable.

To assess the implications of EC enlargement and modification of the CAP on U.S. agriculture, the Western Europe Branch, International Economics Division, Economic Research Service, USDA, initiated a major research program beginning in late 1979. This program included cooperative efforts between USDA researchers and those at various U.S. universities. Researchers at Stanford University developed a framework for analysis of probable developments in the CAP, published by the Economic Research Service, USDA (Developments in the Common Agricultural Policy of the European Community, FAER-172, available from the U.S. Government Printing Office. Washington, D.C. 20402). At the University of California (Berkeley), researchers are studying the implications of EC enlargement for trade in fruits, vegetables, and nuts. Michigan State University researchers are examining the grains-oilseeds-livestock sectors of the EC countries. This publication, produced within USDA, examines U.S. export trends in a broad context of EC policy, and technological and other constraints, including EC enlargement. By focusing on the level and share of U.S. agricultural exports to the EC, Greece (now an EC member), Portugal, and Spain, this report complements the other research reports in this series. Additional research is underway in the Western Europe Branch.

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Economic Research Service

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COUNTRY GROUPINGS

<u>European Community</u> <u>(EC)</u>	<u>EC-9:</u>		<u>Member since January 1981:</u>
	Belgium		Greece
	Denmark		
	Federal Republic of Germany		<u>Future accession countries:</u>
	France		
	Ireland		Portugal
	Italy		Spain
	Luxembourg		
	Netherlands		
	United Kingdom		
<u>Other Western</u> <u>Europe</u>	Andorra	Malta	Portugal
	Austria	Norway	Spain
	Gibraltar	Sweden	Greece (prior to 1981)
	Finland	Switzerland	
	Iceland		
<u>Africa</u>	Algeria	Ghana	Reunion
	Angola	Guinea	Rwanda
	Burundi	Ivory Coast	Sao Tome and Principe
	Botswana	Kenya	Senegal
	Cameroon	Liberia	Seychelles
	Cape Verde Islands	Libya	Sierra Leone
	Central African Republic	Madagascar	Somalia
	Chad	Malawi	South Africa
	Comoro Islands	Mali	Spanish Sahara
	Congo	Mauritius	Sudan
	Dahomey	Mauritania	Tanzania
	Egypt	Morocco	Togo
	Equatorial Guinea	Mozambique	Tunisia
	Ethiopia	Namibia	Uganda
	Gabon	Niger	Upper Volta
	Gambia	Portuguese Guinea	Zaire
			Zambia
			Zimbabwe
<u>Asia</u>	Afghanistan	Iraq	Papua New Guinea
	Bahrain	Israel	People's Democratic Republic of Yemen
	Bangladesh	Japan	Philippines
	Bhutan	Jordan	Qatar
	Brunei	Korea, North	Saudi Arabia
	Burma	Korea, Republic of	Singapore
	Cambodia	Kuwait	Sri Lanka
	China	Lebanon	Syria
	Cyprus	Macao	Taiwan
	Hong Kong	Malaysia	Thailand
	India	Mongolia	Turkey
	Indonesia	Nepal	United Arab Emirates
	Iran	New Guinea	Vietnam, North
		Pakistan	Vietnam, Republic of
			Yemen Arab Republic

<u>Latin America</u>	Argentina	Dominican	Mexico
	Bahamas	Republic	Montserrat
	Barbados	Ecuador	Netherlands Antilles
	Bermuda	El Salvador	Nicaragua
	Bolivia	Grenada	Panama, excluding
	Brazil	Guadeloupe	Canal
	British Honduras	Guatemala	Paraguay
	Chile	Guyana	Peru
	Colombia	Haiti	Surinam
	Costa Rica	Honduras	Trinidad and Tobago
	Cuba	Jamaica	Uruguay
	Dominica	Martinique	Venezuela
<u>Oceania</u>	Australia	Fiji	New Zealand
	British Solomon	French	Tonga
	Islands	Polynesia	Wallis and Futuna
	Christmas Island	Nauru	Islands
	Cocos Island	New Hebrides	Western Samoa
	Cook Island		
<u>Eastern Europe</u>	Albania	German Democra-	Poland
	Bulgaria	tic Republic	Romania
	Czechoslovakia	Hungary	Soviet Union
			Yugoslavia
<u>African, Caribbean, Pacific (ACP) countries</u>	Bahamas	Guinea Bissau	Senegal
	Barbados	Guyana	Seychelles
	Benin	Ivory Coast	Solomon Island
	Botswana	Jamaica	Somalia
	Burundi	Jibuti	St. Lucia
	Cameroon	Kenya	Sudan
	Central African	Kiribati	Surinam
	Republic	Lesotho	Swaziland
	Chad	Liberia	Tanzania
	Comoros	Madagascar	Togo
	Congo	Malawi	Tonga
	Dominica	Mali	Trinidad and Tobago
	Equatorial Guinea	Mauritania	Tuvalu
	Ethiopia	Mauritius	Uganda
	Fiji	Niger	Upper Volta
	Gabon	Nigeria	Western Samoa
	Gambia	Papua New	Zaire
	Ghana	Guinea	Zambia
	Grenada	Rwanda	Zimbabwe
	Guinea	Sao Tome and	
		Principe	

Note: ACP Signatories of the Lome Convention. See pages 13-14.

SUMMARY

While European Community (EC) trade barriers on imports of U.S. meats, dairy products, feed grains, many processed foods, and tobacco products mean stagnant or declining U.S. market shares, the United States will continue as a significant supplier of animal feedstuffs, some animal products, unmanufactured tobacco, cotton, and several food specialties. This report pinpoints commodities with potential for further export expansion to the EC, the largest U.S. export market, and describes factors affecting the U.S. market share.

EC imports from the United States rose from \$2.5 billion in 1970 to \$9.2 billion in 1979. The U.S. value share of the EC import market rose slightly from an average of 10.2 percent during 1970-72 to 10.7 percent during 1977-79.

Animal feedstuffs--half of them soybeans--account for two-thirds of U.S. agricultural exports to the EC. The United States should continue as the predominant supplier to the EC of soybeans, sunflowerseed, corn gluten feed, peanuts, citrus pulp, and some animal products, and should remain among the two principal suppliers of soybean meal and corn during 1981-85. Unmanufactured tobacco exports to the EC, already declining, may fall below 20 percent of the market.

The U.S. share of the EC wheat import market should range between 10 to 25 percent, depending on demand, during 1981-85. The United States should also continue to supply about half of the EC's rough and semimilled rice, one-tenth of its fully milled rice during this period, and should remain among the three leading EC cotton suppliers.

EC import barriers sharply curtail imports from the United States of the principal meats, most feed grains, dairy products, many processed foods, and tobacco products. Enlargement of the EC to include Greece, Spain, and Portugal may mean a decline in the U.S. market share of a number of commodities, including fruit, vegetable, and nut exports to the Community. EC policies favoring EC producers and many Mediterranean and developing country suppliers will also continue to affect U.S. market shares adversely.

The EC Market for U.S. Agricultural Exports

A Share Analysis

Harold A. McNitt

INTRODUCTION

The European Community (EC) is the largest market for U.S. agricultural exports. EC-9 members in 1980--Belgium, Denmark, France, the Federal Republic of Germany (West Germany), Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom had a combined population of approximately 271 million, compared with 223 million in the United States. Their combined gross domestic product (GDP) in 1980 was estimated at \$2.8 trillion, slightly higher than the U.S. GDP of \$2.6 trillion. The EC market was enlarged on January 1, 1981, to include Greece, and is expected to expand further to encompass Spain and Portugal. In 1980, these three accession countries had a combined population of about 57 million and a GDP estimated at \$274 billion.

The EC offers many incentives to U.S. exporters: high levels of disposable income; well-developed financial, transportation, and marketing channels; and a compatibility between U.S. and West European food preferences. For many commodities, however, these advantages are offset by the EC's use of tariffs, variable import levies, subsidies, and other policy instruments giving domestic EC producers a competitive advantage.

This report analyzes the level of all major U.S. agricultural exports to the EC during 1967-79, estimates medium-term (1981-85) trends in U.S. supplier shares, and identifies commodities with potential for further U.S. export development.

Commodities Considered

The U.S. export commodities considered are oilseeds and oilseed meals; feed grains; byproduct feeds such as corn gluten; wheat; rice; fruits, nuts and vegetables; vegetable oils; animal products; tobacco; and cotton. Major determinants used in analyzing U.S. supplier shares are EC import policies, EC self-sufficiency, technological and marketing developments, and supplier country competitive factors. The probable impact of EC enlargement on U.S. shares is also considered.

Data Limitations

All trade data for the EC used in this report are for the "EC-9," without regard to their date of entry. Thus, EC data

for 1967 include the trade of Denmark, Ireland, and the United Kingdom even though they were not Community members at that time. The foreign trade of Greece is not included among the aggregate EC data used.

The data used to analyze U.S. market share performance are primarily United Nations (UN) trade statistics. For some commodities, however, UN data are not specific enough. In such cases, EC trade data are also used. Although EC data are more detailed, they go back only as far as 1974 for the EC, while available UN data go back to 1967. U.S. agricultural statistics are used to supplement U.S. and EC data when appropriate. Since this report analyzes U.S. and other shares of total EC imports, however, U.S. export data have limited usefulness. The data were the latest available at the time this report was prepared.

Intra-EC trade is included unless otherwise indicated. The EC import market for a commodity is defined as the sum of the individual EC members' imports, both from other EC countries and third countries. The analytical value of this approach stems from the fact that for many agricultural goods, the chief U.S. competitors are EC members. France, for example, is the leading rival to the United States for corn sales. The U.S. and French shares of the EC corn import market tend to vary inversely to each other. For certain commodities, however, it may be useful to view the U.S. supplier share of the EC market without reference to intra-EC trade.

Any study analyzing U.S.-EC trade must recognize that some of the data used may be distorted by the effects of transshipments. A commodity shipped to the Netherlands, for example, may be registered as a Dutch import, but later be transshipped to another EC country or to a third country in Europe or Asia. In compiling trade data, both the UN and the EC attempt to eliminate such distortions by attributing trade to its real country of origin and final destination. In spite of these efforts, the data may fail to reflect all transshipments for certain commodities. Attention is called to error due to unreported transshipments.

Official U.S. agricultural trade data report transshipments of several major U.S. exports through Canadian and European ports. These data cannot be used to compute the U.S. supplier share for a given commodity on the EC market. It would entail calculating the U.S. share from data different than that used for other countries, and the U.S. share would lack statistical comparability. The U.S. adjusted export data are sometimes useful, however, in analyzing U.S. supplier share trends. They are used here to analyze wheat, a commodity highly subject to transshipment statistical problems.

The import values reported by the United Nations and the EC are on a c.i.f. basis; that is, they include not only the value of the commodity but also the added costs of insurance and freight required to ship it to its European customs

destination. Thus, the import value reported for a commodity is normally higher than its export value as given in U.S. export statistics, which do not include insurance and freight costs.

For most commodities, an analytical estimate of the probable range of the U.S. share during 1981-85 is given. These estimates assume that the major determinants governing the level and direction of EC imports will remain relatively stable during 1981-85. These factors include general economic conditions and the EC's agricultural trade policies. Any major change in these determinants would necessitate a revision of the estimated U.S. share of the affected commodities.

EC IMPORTS FROM THE UNITED STATES

EC agricultural imports from the United States rose in value from \$2.5 billion in 1970 to \$9.2 billion in 1979. ^{1/} During the seventies, the United States consistently ranked among the top three EC agricultural suppliers, alongside the Netherlands and France (table 1). Excluding intra-EC trade, the United States was the principal supplier during the entire decade. EC agricultural imports from the United States during 1977-79 nearly equaled in value those from all Latin America and surpassed those from both Asia and Africa.

The EC is one of the slowest growing of all U.S. agricultural export markets, however. U.S. farm exports to Japan, Asia, Latin America, Africa, the Soviet Union, and Eastern Europe all increased more rapidly than those to the EC during 1970-80 (table 2). The growth rate of U.S. sales to the EC slackened, particularly after 1975. Allowing for inflationary increases in the value of the dollar, the annual rate of growth of U.S. sales to the EC was very small during 1975-80. This trend is mainly due to a rapid expansion of the EC's own farm production and its ability to meet an increasing share of its own needs. The most important factor contributing to this growth is the Community's Common Agricultural Policy (CAP). The CAP, implemented in stages after 1962, was established to assure a stable supply of agricultural commodities and to provide Community farmers with a level of income equivalent to that of the nonfarm population. While these goals have been partially reached, the CAP has also generated an economy of artificially high food prices and costly farm surpluses. The slow growth of U.S. sales in the EC may also be due in part to a general slackening of economic growth in all EC countries

^{1/} EC imports include the following commodity groups as defined in the United Nations Standard International Trade Classification (SITC): 0, food and live animals; 1, beverages and tobacco; 21, hides, skins, and furskins, undressed; 22, oilseeds, oil nuts, and oil kernels; 231.1, natural rubber and similar natural gums; 261-265, natural textile fibers; 29, crude animal and vegetable materials; and 4, animal and vegetable oils and fats. Within SITC group 0, subgroup 03, fish and fish preparations, is excluded.

Table 1--Agricultural commodity imports by value, EC

Origin	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
World 1/	23,735	25,914	30,904	43,185	48,809	52,118	57,028	67,040	76,469	90,152
Intra-EC 1/										
Belgium-Luxembourg	8,553	10,103	13,016	17,996	21,119	24,429	25,885	29,321	36,294	43,234
Denmark	932	1,049	1,365	1,824	2,147	2,460	2,681	2,855	3,370	4,111
France	725	741	831	1,390	1,594	1,847	1,765	2,020	2,608	2,975
West Germany	2,137	2,709	3,680	4,893	5,590	5,582	6,111	6,752	8,471	10,373
Ireland	821	970	1,344	2,043	2,756	3,148	3,261	4,037	4,892	6,056
Italy	433	528	652	745	836	1,287	1,183	1,415	2,004	2,254
Netherlands	820	1,020	1,220	1,454	1,648	2,214	2,223	2,783	3,176	3,673
United Kingdom	2,337	2,735	3,395	4,812	5,715	6,631	7,303	7,842	9,185	10,904
	347	351	529	834	832	1,259	1,359	1,617	2,588	2,887
Other Western Europe	1,421	1,590	1,821	2,585	2,747	2,805	3,114	3,542	3,979	4,904
Greece	186	196	225	319	334	434	423	497	559	656
Portugal	69	74	89	151	161	133	122	137	165	229
Spain	619	707	770	1,176	1,302	1,292	1,461	1,601	1,804	2,166
Total, three countries	874	977	1,084	1,646	1,797	1,859	2,006	2,235	2,528	3,051
United States	2,497	2,740	2,971	4,901	5,799	6,162	6,689	7,427	8,210	9,185
Canada	593	719	663	841	1,076	968	976	991	956	1,325
Latin America	2,917	2,938	3,491	4,985	5,276	5,334	5,835	8,079	8,409	9,799
Asia	2,118	2,324	2,418	3,392	4,046	3,919	4,820	5,886	6,119	7,649
Africa	2,841	2,597	3,053	4,129	4,946	4,992	5,679	7,658	7,818	8,399
Oceania	1,476	1,538	1,823	2,204	1,785	1,664	2,035	2,087	2,213	2,779
Australia	811	813	960	1,178	863	731	1,088	961	895	1,265
New Zealand	625	692	826	986	840	802	885	1,014	1,204	1,372
Eastern Europe (including Soviet Union)	1,148	1,227	1,503	1,953	1,829	1,845	1,981	2,019	2,177	2,443
Unspecified origin	171	138	145	199	186	0	14	30	294	435

1/ Totals may not add because of rounding.
Source: (10).

since 1973 (1976, a year of relatively high growth, was an exception).

U.S. Supplier Share
of the EC Market

The U.S. supplier share of the EC agricultural import market ranged between 9.6 and 11.9 percent during the seventies (table 3). It increased slightly from an average of 10.2 percent in 1970-72 to 10.7 percent in 1977-79. The slight increase in the overall U.S. supplier share occurred despite declines, some severe, in the U.S. shares for wheat, barley, rice, soybean meal, and several kinds of processed foods. Substantial increases in the U.S. share of the EC market for corn, oilseeds, and edible nuts were major offsets to declines elsewhere. In contrast to the stable overall U.S. trend, imports by EC countries from other members (intra-EC trade) accounted for a rising share, from an average of 39.0 percent to 46.4 percent between the two periods. The Latin American, Asian, and African shares remained relatively stable, while those of other Western Europe, Canada, Oceania, and Eastern Europe declined. ^{2/}

If countries are considered individually, the EC's principal agricultural import suppliers are the Netherlands with an average of 11.9 percent during 1977-79, France with 10.9 percent, the United States with 10.7 percent, West Germany with 6.4 percent, Belgium-Luxembourg with 4.4 percent, Italy with 4.2 percent, Brazil with 3.4 percent, Denmark with 3.2 percent, the United Kingdom with 3.0 percent, Argentina with 2.8 percent, Ireland with 2.4 percent, and Spain with 2.4 percent. The remaining third of EC agricultural imports is dispersed among a large number of relatively small suppliers.

The significance of the United States as an agricultural supplier to the EC becomes more apparent if all intra-EC imports are excluded when computing supplier shares. If external suppliers alone are considered, the U.S. share averaged 20.0 percent during 1977-79, a substantial increase over the U.S. external supplier share average of 16.8 percent during 1970-72. Other leading external suppliers were Brazil (6.3 percent during 1977-79), Argentina (5.2 percent), and Spain (4.5 percent).

Composition of
Imports from the
United States

Animal feedstuffs account for approximately two-thirds of EC agricultural imports from the United States. Oilseeds (mainly soybeans) were the largest EC import from this country during 1977-79, averaging 31.9 percent of total EC agricultural purchases (table 4). Corn was the second largest EC import, at 19.8 percent. Soybean meal, corn gluten feed, citrus pulp, and several other feed ingredients accounted for an additional 13.2 percent.

^{2/} During the period that these data apply, other Western Europe included Andorra, Austria, Gibraltar, Greece, Finland, Iceland, Malta, Norway, Sweden, Switzerland, Spain, and Portugal. Greece was automatically removed from this grouping when it acceded to the EC in 1981.

Table 3--Agricultural commodity imports by supplier shares, EC

Origin	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Intra-EC 2/										
Belgium-Luxembourg	36.0	39.0	42.1	41.7	43.3	46.9	45.4	43.7	47.5	48.0
Denmark	3.9	4.0	4.4	4.2	4.4	4.7	4.7	4.3	4.4	4.6
France	3.1	2.9	2.7	3.2	3.3	3.5	3.1	3.0	3.4	3.3
West Germany	9.0	10.5	11.9	11.3	11.5	10.7	10.7	10.1	11.1	11.5
Ireland	3.5	3.7	4.3	4.7	5.6	6.0	5.7	6.0	6.4	6.7
Italy	1.8	2.0	2.1	1.7	1.7	2.5	2.1	2.1	2.6	2.5
Netherlands	3.5	3.9	3.9	3.4	3.4	4.2	3.9	4.2	4.2	4.1
United Kingdom	9.8	10.6	11.0	11.1	11.7	12.7	12.8	11.7	12.0	12.1
	1.5	1.4	1.7	1.9	1.7	2.4	2.4	2.4	3.4	3.2
Other Western Europe										
Greece	6.0	6.1	5.9	6.0	5.6	5.4	5.5	5.3	5.2	5.4
Portugal	.8	.8	.7	.7	.7	.8	.7	.7	.7	.7
Spain	.3	.3	.3	.3	.3	.3	.2	.2	.2	.3
Total, three countries 2/	2.6	2.7	2.5	2.7	2.7	2.5	2.6	2.4	2.4	2.4
	3.7	3.8	3.5	3.8	3.7	3.6	3.5	3.3	3.3	3.4
United States	10.5	10.6	9.6	11.3	11.9	11.8	11.7	11.1	10.7	10.2
Canada	2.5	2.8	2.2	1.9	2.2	1.9	1.7	1.5	1.3	1.5
Latin America	12.3	11.3	11.3	11.5	10.8	10.2	10.2	12.1	11.0	10.9
Asia	8.9	9.0	7.8	7.9	8.3	7.5	8.5	8.8	8.0	8.5
Africa	12.0	10.0	9.9	9.6	10.1	9.6	10.0	11.4	10.2	9.3
Oceania										
Australia	6.2	5.9	5.9	5.1	3.7	3.2	3.6	3.1	2.9	3.1
New Zealand	3.4	3.1	3.1	2.7	1.8	1.4	1.9	1.4	1.2	1.4
	2.6	2.7	2.7	2.3	1.7	1.5	1.6	1.5	1.6	1.5
Eastern Europe (including Soviet Union)										
	4.8	4.7	4.9	4.5	3.7	3.5	3.5	3.0	2.9	2.7
Unspecified origin										
	.8	.6	.4	.5	.4	0	0	0	.3	.4
Total 2/	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ Computed in terms of current values.

2/ Percentages may not add because of rounding.

Source: (10).

Of the remaining third of EC farm imports from the United States, the largest are tobacco (7.2 percent of the total during 1977-79); fruits, nuts, and vegetables (6.2 percent); wheat (4.0 percent); and meat and meat preparations (3.6 percent). Several other commodities which account for a small proportion of total EC imports, such as rice, hides and skins, animal oils and fats, and cotton, nonetheless represent large trade items, whose average value each exceeded \$150 million annually during 1977-79.

Role of Individual
EC Members

The EC members are a common market in terms of their agricultural import policies and much of their transportation and communications infrastructure, but remain independent

Table 4--Composition of major EC imports from the United States,
average 1977-79

SITC	Commodity	Average, 1977-79 ^{1/}	
		1,000 dollars	Percent
01	Meat	297,137	3.6
02	Dairy products	3,225	.04
04	Grains	2,199,553	26.6
041	Wheat	329,607	4.0
042	Rice	164,124	2.0
044	Corn	1,636,283	19.8
05	Fruits and vegetables	516,497	6.2
06	Sugar and preparations	25,975	.3
07	Coffee, tea, cocoa, spices	18,974	.2
08	Animal feed	1,090,298	13.2
0811	Fodder, roots, hay	104,224	1.3
0812	Bran, pollard	29,336	.4
0813	Oilseed meal	622,849	7.5
09	Miscellaneous food preparations	36,034	.4
11	Beverages	22,414	.3
12	Tobacco and manufactures	599,781	7.2
21	Hides, skins, furs, undressed	274,237	3.3
22	Oilseeds	2,642,831	31.9
2211	Peanuts, green	142,702	1.7
2214	Soybeans	2,310,834	27.9
262	Wool and animal hair	39,799	.5
263	Cotton	158,878	1.9
29	Crude animal, vegetable materials	99,296	1.2
41	Animal oils and fats	158,046	1.9
42	Vegetable oils and fats	38,407	.5
43	Processed oils and fats	17,216	.2
	Other	35,572	.4
	Total agricultural commodities	8,274,170	100.0

^{1/} Totals may not add because of rounding.

Source: (10).

countries with diverse political, economic, and commercial characteristics. Wide differences characterize the countries' economic growth rates, rates of inflation, external trade and payments balances, and other economic factors. The members retain their own currency and financial systems and traditional commercial channels.

Although the EC countries maintain the CAP with a uniform system of variable import levies and a common external tariff (CXT), individual countries' access to U.S. exports varies widely. For a given commodity, the level of import protection may also vary. The different EC countries apply their own restrictive health and sanitary, food additive, or labeling requirements, for example. In addition, significant differences may occur in the effective tariff or levy applied by the various countries because of the application of monetary compensatory amounts (MCA's), which are import taxes or subsidies used to compensate for exchange rate differences (14). 3/

The magnitude of the different members' imports from the United States also varies. West Germany, the Netherlands, and the United Kingdom have been the three leading EC importers of U.S. agricultural goods for several years. In 1977-79, EC agricultural imports from the United States were distributed among the members as follows: West Germany, 26 percent; Netherlands, 20 percent; United Kingdom, 17 percent; Italy, 13 percent; France, 12 percent; Belgium-Luxembourg, 8 percent; Denmark, 3 percent; and Ireland, 1 percent. This distribution may be subject to some error because of unreported transshipments, but may be taken as generally accurate.

The U.S. supplier share of each member country's agricultural import market also differs. The U.S. share of the Netherlands' market is consistently higher than that of the EC as a whole or any other of its members (table 5). Even allowing for unreported transshipments, it is evident that the Netherlands, more than any other EC country, relies on the United States for its agricultural imports.

Factors responsible for the wide differences in the magnitude of U.S. agricultural imports include the extent and type of livestock production, the level of self-sufficiency in animal feedstuffs, population, level of disposable income, geographic location, and monetary factors such as the strength of the currency against the dollar.

EC'S COMMON AGRICULTURAL POLICY

The CAP was initiated in 1962 and implemented in stages to encompass an increasingly wide range of agricultural commodities. The CAP plays a decisive role in the level of EC farm imports from the United States, as well as the U.S. supplier share of the EC market for most commodities.

3/ Underscored numbers in parentheses refer to literature cited at the end of this report.

Price Guarantee
System

The CAP includes a system of guaranteed prices for most major agricultural commodities produced in the Community. The system aims to provide the farm sector with income levels equivalent to those in the nonfarm sector, and to increase the EC's agricultural self-sufficiency. Prices for most commodities covered by the system are fixed well above world market prices, requiring the use of highly protective measures against imports as well as subsidies to facilitate exports.

Prices are maintained at or above stipulated levels by a variety of methods. The most important is government buying or intervention, when a commodity's price falls to a specified level and is offered to intervention authorities for sale at that price. The principal grains, beef and veal, pork,

Table 5--U.S. supplier share of agricultural imports,
EC and EC members

Importing country	: : 1967	: : 1968	: : 1969	: : 1970	: : 1971	: : 1972	: : 1973
	:	:	:	:	:	:	:
	:	:	:	<u>Percent 1/</u>			
EC	: 11.1	10.9	9.4	10.5	10.6	9.6	11.4
Belgium-	:	:	:	:	:	:	:
Luxembourg	: 12.8	9.9	9.1	10.3	10.2	5.5	6.9
Denmark	: 24.3	22.2	18.9	21.0	21.4	22.4	14.3
France	: 8.3	8.1	6.9	8.2	8.2	8.0	9.0
West Germany	: 12.3	11.0	9.6	10.9	11.1	9.8	12.7
Ireland	: 16.4	16.5	12.9	11.2	12.1	16.7	13.4
Italy	: 8.4	10.5	8.2	6.7	7.8	7.2	10.0
Netherlands	: 22.7	21.9	17.8	22.9	21.9	18.9	22.5
United	:	:	:	:	:	:	:
Kingdom	: 7.1	8.0	7.5	8.2	7.8	8.2	8.0
	:	:	:	:	:	:	:
	: 1974	: 1975	: 1976	: 1977	: 1978	: 1979	
	:	:	:	:	:	:	:
	:	:	:	<u>Percent 1/</u>			
EC	: 11.9	11.8	11.7	11.1	10.7	10.2	
Belgium-	:	:	:	:	:	:	:
Luxembourg	: 8.7	10.5	11.3	11.5	8.5	8.6	
Denmark	: 16.8	14.4	13.4	15.8	15.2	12.3	
France	: 10.5	8.9	8.8	7.4	7.7	8.1	
West Germany	: 13.0	11.8	11.5	11.4	10.3	9.8	
Ireland	: 10.3	13.0	13.3	12.1	9.4	9.7	
Italy	: 10.8	12.2	10.9	9.3	9.4	8.8	
Netherlands	: 24.0	26.1	24.4	19.9	18.0	17.4	
United	:	:	:	:	:	:	:
Kingdom	: 7.1	6.3	7.4	8.9	11.1	9.6	
	:	:	:	:	:	:	:

1/ Computed from data expressed in current dollars.
Source: (10).

butter, nonfat dried milk, certain cheeses, sugar, tobacco, and olive oil all qualify for intervention. This mechanism has generated surpluses, many of them mountainous, for most of the products concerned (corn and tobacco are notable exceptions). The EC uses variable levies to prevent the intervention price floor from being breached by lower priced imports. Commodities open to intervention also qualify for export subsidies, often needed to sell off surpluses at lower world market prices.

Another smaller group of commodities receives price support indirectly through variable levies and export subsidies alone. These include poultry, eggs, and processed rice.

Certain fruits, vegetables, and table wines are price-supported through a market withdrawal and reference price mechanism similar to intervention buying and variable levies. Others are indirectly supported by import charges alone. Many fruits, vegetables, and nuts are protected by high tariffs, as well as by flexible countervailing charges or compensatory taxes.

Measures to Regulate Imports

To maintain a regime of prices generally above world market levels, the EC employs a restrictive system of levies, tariffs, and other import charges preventing imports from undermining domestic prices. These measures have slowed the growth of many EC imports from the United States, and sharply reduced U.S. sales of certain others, as evidenced by the growth rate of U.S. agricultural exports to the EC during 1970-80 (see table 2).

The principal instrument used to regulate prices of imports is the variable levy. Although variable levies are defined and computed differently for various commodities, the levies basically ensure that the price of an import is higher than the guaranteed price of the domestically produced commodity. Variable levies apply to wheat, feed grains, dairy products, beef and veal, pork, sugar, poultry, eggs, and rice. They also apply to many processed foods using grains, dairy products, or sugar. A device similar to the variable levy, a "compensatory tax," may be applied to imports of certain fruits and vegetables.

The use of variable levies or other flexible charges to bring the price of imported commodities to a level somewhat above the price of competing EC-produced items has proven highly effective. It gives EC suppliers a preferential or first-choice position on the market. Outside suppliers such as the United States can compete only when EC producers are unable to meet market demand (as in the case of rice and corn) or when special qualitative factors are an overriding consideration (as with North American hard wheat).

A wide range of commodities, some of major importance to U.S. trade, are not included in the EC's variable levy system: oilseeds and oilseed meals; certain food industry residues

(particularly corn gluten feed); horsemeat and most animal offals; animal oils and fats except poultry fat and lard; certain fruits, vegetables, and nuts; vegetable oils except olive oil; hides, skins, and furskins; tobacco; and cotton. Although not subject to variable levies, most of these items are subject to fixed tariffs. The rates for the CXT against all imports, both agricultural and industrial, range from zero on some items to over 100 percent on others.

Measures to Support EC Exports

Market intervention by EC authorities to support prices of most major crops and livestock products soon led to large surpluses. Domestic production of wheat, barley, butter, nonfat dried milk, and sugar, for example, outstripped consumer demand. The growth of large surpluses was expedited by the EC's general policy of avoiding production controls on farm output. Intervention authorities are generally obligated to purchase all produce offered them at the intervention price.

To dispose of agricultural surpluses, the EC relies heavily on exports to non-EC countries. Since domestic commodity prices are normally well above world market levels, exporters are given subsidies to compensate for the difference. This enables higher priced EC commodities and processed foods to compete effectively with the United States and other suppliers, and in some circumstances to undersell non-EC prices decisively. The EC's ability to apply export subsidies has resulted in the loss of U.S. markets for many specific products in third countries. In 1980, the EC became a net exporter of grains and poultry for the first time. EC exports of many other commodities, including dairy products, wheat, wheat flour, and sugar, rose sharply during the late seventies. The EC is now also the world's largest exporter of beef. The rapid expansion of EC exports during the seventies is shown in table 6.

Impact on U.S. Exports

The CAP system of price guarantees, variable levies, and export subsidies has heavily affected U.S. and world agricultural trade.

Variable levies on several U.S. exports, including wheat, corn, barley, the principal meats, and poultry products, have adversely affected the level of U.S. sales. In addition, high guaranteed prices for these and other commodities such as fruits and vegetables have stimulated EC production, often creating surpluses and reducing demand for imports. EC measures to support its fruit and vegetable processing industries through processing subsidies have sharply reduced U.S. sales of processed foods such as canned fruits and vegetables. ^{4/}

^{4/} Processing subsidies apply to most types of processed tomatoes, peaches, fruit cocktail, prunes, raisins, figs, and certain varieties of cherries and pears. Subsidies are paid to EC processors on the basis of contracts placed with EC primary producers at or above stipulated minimum prices.

EC policies that provide tariff preferences to imports originating in certain Mediterranean countries and many developing countries have also placed U.S. exports of several types of fruits, vegetables, tobacco, and other commodities at a competitive disadvantage. EC imports from Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Portugal, Spain, Syria, Tunisia, Turkey, and almost 60 developing countries with which the EC members have historic ties (referred to as the African, Caribbean, and Pacific

Table 6--EC agricultural exports by destination

Destination	1970	1971	1972	1973	1974	1975
<u>Million dollars</u>						
World	13,021	15,220	19,188	26,911	31,692	35,910
EC	8,492	10,061	13,079	18,139	21,058	24,695
Other Western Europe	1,235	1,444	1,722	2,435	2,898	2,910
United States	966	1,046	1,131	1,447	1,575	1,444
Canada	134	167	195	234	289	323
Latin America	313	377	449	555	710	738
Asia	616	684	796	1,358	1,806	2,117
Africa	642	746	892	1,371	1,898	2,345
Oceania	73	81	93	131	185	174
Eastern Europe	382	431	627	984	952	787
Non-EC, total	4,529	5,159	6,109	8,772	10,634	11,215
Other <u>1/</u>	168	183	204	257	321	377
<u>Average annual increase</u>						
	1976	1977	1978	1979	1970-79	1975-79
<u>Million dollars</u> <u>Percent ^{2/}</u>						
World	37,806	44,109	53,637	65,259	19.6	16.1
EC	26,456	30,179	37,121	44,856	20.3	16.1
Other Western Europe	2,987	3,368	3,950	4,997	16.8	14.5
United States	1,587	1,837	2,359	2,595	11.6	15.8
Canada	345	431	461	459	14.7	9.2
Latin America	689	915	1,077	1,297	17.1	15.1
Asia	2,124	2,767	3,503	4,420	24.5	20.2
Africa	2,050	2,581	3,118	3,776	21.8	12.6
Oceania	169	198	234	259	15.1	10.5
Eastern Europe	951	963	1,094	1,792	18.7	22.8
Non-EC, total	11,350	13,930	16,516	20,403	18.2	16.1
Other <u>1/</u>	448	870	720	808	19.1	21.0

1/ Includes exports not specified as to destination.

2/ Compounded annual averages, in terms of current prices.

Source: (10).

signatories of the Lome Convention or ACP countries) may be subject to reduced or preferential tariff rates on entering the EC. The Lome Convention, signed in 1975, spells out trade, industrial, financial, and technical cooperation arrangements between the EC and the ACP countries, including tariff preferences for specified ACP exports to the EC. The ACP countries, many of them former colonies of EC countries, are located in Africa, the Caribbean, and the Pacific areas. They are listed in the country groupings section at the beginning of this report. The enlargement of the EC to include Greece in January 1981 and Spain and Portugal (expected in the mideighties) will give those countries major advantages over U.S. exports of almonds, citrus fruit, and other commodities.

The CAP is thus a major determinant of U.S. agricultural exports to the EC, slowing the overall growth of sales. Because of the proliferation of export and processing subsidies, the EC is also a rapidly expanding competitor of the United States in third markets.

ANIMAL FEEDSTUFFS: AN OVERVIEW

Animal feedstuffs play a central role in U.S.-EC agricultural trade. ^{5/} EC imports of feedstuffs from all sources averaged \$13.2 billion annually during 1977-79. U.S. sales averaged \$5.4 billion, a 40.9-percent--and the largest--share of the market. Feedstuffs are vital to the United States as an export earner and to the EC as a needed input for its livestock industry. Many of these exports also find important secondary uses in the EC's food and chemical industries. Two-thirds of the EC agricultural imports from the United States during 1977-79 consisted of goods used primarily as animal feedstuffs.

The United States is the leading supplier of feedstuffs to the EC, even if intra-EC trade is included. The 40.9-percent supplier share during 1977-79 compares with only 26.5 percent for all intra-EC trade, of which France--the largest EC supplier--contributed 11.4 percent. The remaining third of the market is fragmented among many suppliers, the largest of which are Argentina (8.3 percent of the market) and Brazil (6.8 percent).

The U.S. value share of the EC animal feedstuff market rose moderately during 1967-79, from 33.6 percent during 1967-69 to 40.9 percent a decade later. The increased value share reflects growing U.S. shipments of commodities, such as soybeans, having free access to the EC.

Significant shifts also occurred in the composition of EC feedstuff imports from the United States during this period. Feed grains accounted for 42.5 percent and oilseeds 35.0 percent of U.S. feed shipments to the Community (by value)

^{5/} "Animal feedstuffs" include feed grains (SITC 043-045), animal feedstuffs (08), and oilseeds (22). Feed wheat and animal products used for feed are not included, since they are not reported in specific detail in UN data.

during 1967-69. Just a decade later, grains fell to 31.2 percent of U.S. feedstuff sales, while oilseeds (primarily soybeans) soared to 48.7 percent. Sales of corn gluten feed and other nongrain feed ingredients also went up sharply.

The shift in U.S. feedstuff sales from grains to oilseeds and nongrain feed ingredients reflects the rapid growth of EC grain production during the seventies, stimulated by high price supports. While EC grain output was rising, consumption leveled off because of the relatively high prices engendered by the support policy. These developments caused a decline in EC grain imports from the United States after 1973 (except for 1976-77, when a disastrous drought in Western Europe created abnormally large demand for corn imports). Purchases of all U.S. grains are severely restricted by EC variable import levies.

The rapid expansion of EC imports of soybean, soybean meal, and nongrain feedstuffs from the United States was aided by their free access to the EC. In negotiations with the United States under the General Agreement on Tariffs and Trade (GATT), the EC agreed not to place tariffs, levies, or other import barriers on these products. Soybeans and soybean meal were increasingly needed during the seventies to provide protein feed for the EC's rapidly expanding, intensive livestock industry, since demand for protein could not be met by domestic production. Besides filling this basic need for high-protein feedstuffs, oilseeds and meals often offered cost advantages over high-priced grains in the manufacture of feed compounds.

The United States, as the EC's principal supplier of imported feedstuffs, benefitted from a strong expansion of the Community market during 1960-80. There were three underlying causes for the expansion: (1) a rapid rise in real disposable personal income among the EC countries, leading to an increased demand for meat, which was highly income-elastic; (2) establishment (through the CAP) of price guarantees for beef, pork, poultry, milk, and eggs which stimulated expansion of livestock product output and consequently an increased need for feedstuffs; and (3) technological developments in the EC livestock industry which shifted feed demand away from traditional fodder to compound feeds requiring feed grains, oilseed meals, and other concentrates.

Most U.S. feedstuff exports to the EC fall into one of three categories: oilseeds and oilseed meals, coarse grains, and nongrain byproduct feedstuffs.

OILSEEDS AND OILSEED MEALS

Soybeans and soybean meal account for approximately one-third of the EC's agricultural imports from the United States by value; soybeans are the single biggest EC agricultural import from the United States. The United States is also a major supplier of meal. The use of soybean meal as the primary high-protein ingredient in animal feeds developed rapidly in the EC during the seventies. EC crushers more than doubled

their meal production during 1970-80, but this was still less than enough to meet the demands of the feed compound industry. Total EC soybean crush was estimated at 11.3 million tons in 1980, yielding 9.14 million tons of soybean meal and 2.0 million tons of oil (2). This compares with a soybean meal output of only 4.5 million tons a decade earlier.

The EC has encouraged soybean cultivation through price-support subsidies and direct payments. Because of unfavorable climatic and other conditions, however, yields so far have been disappointing, and most EC farmers consider other crops such as rapeseed, wheat, and feed grains better investments. By 1979, EC soybean production was only 25,000 tons, a small fraction of demand. To compensate for this failure, the EC has developed other programs to increase high-protein feedstuff output--subsidies for pulses (broad beans, field peas) and price supports for rapeseed and sunflowerseed. France, the main producer of these crops, has a long-term protein production plan. Thus far, however, none of these measures has helped supply more than a small proportion of the EC's protein feed needs.

The CXT on soybeans and all other oilseeds is bound at zero under the GATT. This absence of tariffs or levies is vitally important to U.S.-EC trade. Besides providing a free, nondiscriminatory market for U.S. soybeans, the absence of barriers frequently has given soybeans a price advantage in compound feed production. Soybean meal may be combined with high-energy, nongrain ingredients (such as manioc in many feed formulas) as a least-cost alternative to feed grains. Grain prices are usually fixed well above world levels by the EC's price support system.

Soybean meal was imported on an increasing scale, first mainly from the United States and later from Brazil, to supplement meal produced domestically. EC imports of soybeans and soybean meal combined were increasingly weighted toward meal during the latter half of the seventies. ^{6/} During 1974-76, meal accounted for 42.1 percent of the total. By 1977-79, it made up 46.7 percent. This may reflect a decline in soybean meal price relative to soybeans, resulting from Brazil's tax and credit policies favorable to meal production and export.

The EC's soybean-crushing capacity is concentrated in West Germany (which produced 33.8 percent by volume of total soybean meal in 1980), and the Netherlands (26.6 percent). Other meal-producing countries are Italy (12.2 percent), the United Kingdom (10.0 percent), France (7.5 percent), Belgium (7.1 percent), and Denmark (2.8 percent), (2). Large-scale construction of soybean crushing plants within the EC is not expected during 1981-85, except perhaps in France, but

^{6/} Imports of soybeans and soybean meal combined are calculated in terms of soybean meal equivalent (SME). This is equal to the quantity of processed meal plus the quantity of meal that can be extracted from the unprocessed beans (80 percent of the beans by weight).

Soybeans

modernizing existing plants is likely. Thus, overall crushing capacity (14-15 million tons in 1980) may expand, but not at the rapid rate characteristic of the seventies. Since plants designed to crush soybeans cannot be readily adapted to crush other types of oilseeds, there is little likelihood of any decline in capacity by shifting plants to other uses.

During 1977-79, EC imports from the United States averaged 8.4 million tons, valued at \$2.3 billion annually (table 7). The United States dominated the market, its volume share averaging 80.6 percent. Since the United States was virtually the only commercial supplier before 1970, its share averaged over 90 percent during 1967-69. Its lowest 3-year average, 76.0 percent, occurred during 1973-75.

EC imports of soybeans from the United States in 1977-79 were distributed by volume to: West Germany, 31.9 percent; Netherlands, 25.4 percent; United Kingdom, 11.9 percent; Italy, 11.6 percent; France, 7.7 percent; Belgium-Luxembourg, 7.0 percent; and Denmark, 4.6 percent. The largest importers have large crushing facilities and advanced commercial feeding systems.

Although Brazil was the EC's second largest supplier of soybeans during 1967-77 (except in 1968), its share was very small until after 1975, when it rose to over 27 percent before receding to 3.1 percent in 1979. The sudden drop in Brazil's share was primarily due to a change in Brazilian export policies, although a slackening of the rate of growth in soybean production also occurred during this period. The slackening of output growth was accompanied by a strong policy emphasis on exporting soybean meal, with its value-added content, rather than soybeans. This policy was implemented by tax and credit policies favorable to the export of soybean meal. Because of these factors, Brazil's share of the EC soybean market fell to an average 5.7 percent during 1977-79.

Argentina rapidly emerged as a soybean supplier starting in 1977. Its share increased from 0.1 percent in 1975 to 16.9 percent in 1979, more than filling the gap left by Brazil's decline. Argentine soybean production should continue to expand during the eighties, but more modestly than during 1976-79. As less optimal acreage is brought into production, average unit yields will decrease (6). Demand for Argentine beans by Brazil, with its large crushing capacity, and the possibility that Argentina (like Brazil) will adopt policies favoring the export of soybean meal rather than soybeans may also limit growth of the Argentine soybean share of the EC market.

The accession of Spain, Portugal, and Greece to the EC market will not affect the U.S. share of the EC soybean market during 1981-85. Spain, the only country among the three with a significant potential for soybean production, is now a major customer for U.S. soybeans, importing an average of 1.5 million tons during 1977-79. Currently an insignificant

Table 7--Soybean imports by volume and supplier share, EC

Destination	1967	1968	1969	1970	1971	1972	1973
<u>1,000 metric tons</u>							
Total <u>1/</u>	3,672	3,564	3,938	5,609	5,614	6,194	6,665
United States	3,275	3,333	3,602	5,296	5,292	5,318	5,448
Brazil	223	71	249	226	165	727	1,107
Argentina	3	6	0	0	0	8	0
Paraguay	2	3	0	0	8	33	26
Other <u>2/</u>	169	151	87	87	149	108	84
<u>Percent</u>							
Total <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	89.2	93.5	91.5	94.4	94.3	85.9	81.7
Brazil	6.0	2.0	6.3	4.0	2.9	11.7	16.6
Argentina	.1	.2	0	0	0	.1	0
Paraguay	.1	.1	0	0	.1	.5	.4
Other <u>2/</u>	4.6	4.2	2.2	1.6	2.7	1.8	1.3
	1974	1975	1976	1977	1978	1979	
<u>1,000 metric tons</u>							
Total <u>1/</u>	8,767	7,784	8,552	8,752	10,837	11,713	
United States	6,630	5,507	6,991	7,164	8,918	9,092	
Brazil	1,920	2,133	1,326	917	363	368	
Argentina	6	8	60	459	1,367	1,978	
Paraguay	81	73	144	180	173	229	
Other <u>2/</u>	130	63	31	32	16	46	
<u>Percent</u>							
Total <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0	
United States	75.6	70.8	81.7	81.9	82.3	77.6	
Brazil	21.9	27.4	15.5	10.5	3.4	3.1	
Argentina	.1	.1	.7	5.2	12.6	16.9	
Paraguay	.9	.9	1.7	2.0	1.6	2.0	
Other <u>2/</u>	1.5	.8	.4	.4	.1	.4	

1/ Adjusted for transshipments through EC ports.

2/ Principally Canada, some of which may represent transshipments of U.S. soybeans through Canadian ports.

Sources: (7, 10).

producer, it may develop a soybean capability over the long term (such as 1985-95) with the stimulus of EC subsidies. With arable land limited in Spain as well as Portugal and Greece, however, and the fact that Spain is not expected to become a full member until the mideighties, it appears unrealistic to anticipate any large-scale soybean production during the eighties in these countries.

The U.S. share of the EC market for soybeans should remain within the 70- to 90-percent range during 1981-85. This estimate is based on the continuing assumptions that: (1) U.S. soybeans will have duty-free access; (2) U.S. suppliers will be able to meet EC demand; (3) Brazil will emphasize exports of soybean meal, rather than unprocessed beans, in view of its large investment in crushing facilities; (4) Argentina may increase its soybean exports to the EC, but the annual rate of increase will slacken; (5) other country sources of supply will remain negligible, few if any capturing more than 2 percent of the market; (6) domestic EC production of soybeans will continue to expand slowly from a very low base of only 25,000 tons in 1979; and (7) none of the three accession countries will develop an extensive soybean growing potential during 1981-85.

Soybean Meal

Soybean meal is the third largest U.S. agricultural export to the EC in terms of value, following soybeans and corn. EC imports of U.S. soybean meal averaged 2.3 million tons during 1977-79, valued at \$531 million annually (table 8). Soybean meal enters the EC free of duty or other import restrictions; no preferential tariff advantages accrue either to intra-EC suppliers or to developing countries.

The level of U.S. soybean meal exports to the EC during 1967-79 remained within the 2- to 3-million-ton range (except in 1977, when it fell to 1.5 million), according to U.S. export statistics. The U.S. volume share declined sharply during 1974-79, however, falling from 55.9 to only 31.0 percent (3). ^{7/} The declining U.S. share bore an inverse relationship to the rising Brazilian share, which outstripped the United States in 1977. Brazil remained the principal supplier during 1977-79. The U.S. market share averaged 30.8 percent during those 3 years; the Brazilian share was 37.3 percent.

There are several reasons for Brazil's spectacular growth as a soybean meal exporter to the EC. Foremost is the Brazilian Government's policy of encouraging growth of domestic crushing capacity, a policy originating with a need to overcome a

^{7/} U.S. market share data for soybean meal are not available before 1974, since uniform data for all nine EC members were not kept. The data used here are official EC trade statistics. Trade data for several other commodities (sunflowerseeds, corn gluten feed, citrus pulp, specific fruits and vegetables) are likewise available on an EC-wide basis only in EC statistics, and thus limited to 1974-79.

chronic deficit of vegetable oils. Since 1973, domestic demand for soybean meal increased sharply with the growth of a modern commercial poultry industry. Thus, soybean crushing capacity was expanded, with strong Government incentives, to service domestic demand for both oil and meal. The Government also recognized that exporting soybean meal, a value-added product, was more advantageous to the Brazilian economy than shipping unprocessed beans. The Government has periodically limited bean exports by a quota system and provides tax and credit incentives to crushers and exporters of meal, making it possible for Brazilian exporters to offer meal at highly competitive prices.

Other reasons cited for the rapid growth of Brazil's share of the EC soybean meal market are the higher protein content of Brazilian meal (48 to 49 percent compared with 44 percent for the United States) and (less important) the fact that Brazilian meal is exported in pelletized form, which many European compounders prefer over meal (9).

The Brazilian share of the EC market varies with the availability of soybeans for crushing, size of the crush, internal meal consumption, and sale to other markets. In some

Table 8--Soybean meal imports by volume and supplier share, EC

Origin	1974	1975	1976	1977	1978	1979
	<u>1,000 metric tons</u>					
Total	4,471	4,513	5,645	5,651	7,861	8,430
United States	2,498	2,013	2,268	1,543	2,674	2,610
Brazil	666	1,149	1,702	2,225	2,768	3,155
Argentina	29	106	162	275	275	283
Intra-EC <u>1/</u>	1,207	1,191	1,405	1,520	1,944	2,277
Other <u>2/</u>	71	54	108	88	200	105
	<u>Percent</u>					
Total <u>3/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	55.9	44.6	40.2	27.3	34.0	31.0
Brazil	14.9	25.5	30.1	39.4	35.2	37.4
Argentina	.6	2.3	2.9	4.9	3.5	3.4
Intra-EC <u>1/</u>	27.0	26.4	24.9	26.9	24.7	27.0
Other <u>2/</u>	1.6	1.2	1.9	1.5	2.5	1.2

1/ Intra-EC trade consists principally of soybean meal manufactured within the EC from imported soybeans and subsequently shipped to another EC country. Trade may also include some meal transshipments. EC data do not isolate these components.

2/ Principally Paraguay during 1976-79.

3/ Percentage totals may not add because of rounding.

Source: (3).

years (such as 1980), the U.S. share of the EC market for soybean meal can be expected to exceed Brazil's. Argentina, like Brazil, increased its share of the EC soybean meal market during 1974-79. Its average share expanded from 1.9 percent in 1974-76 to 3.9 percent in 1977-79.

Intra-EC suppliers, primarily West Germany and the Netherlands, accounted for a stable share of the EC market during 1974-79, ranging between 24 and 27 percent. That share will not change appreciably during 1981-85, since no large-scale further expansion of EC crushing capacity is contemplated.

West Germany accounted for 27.4 percent, Italy for 27.1 percent, France for 15.0 percent, Netherlands for 11.2 percent, United Kingdom for 8.0 percent, Ireland for 5.3 percent, Belgium-Luxembourg for 3.1 percent, and Denmark for 2.9 percent of EC soybean meal imports from the United States in 1977-79. In projecting the U.S. share of the EC market at 20 to 30 percent for 1981-85, four factors suggesting long-term stability are assumed: (1) the U.S. share, though declining gradually during 1974-79, has shown considerable stability during the period and no large deviation from the 1977-79 level is anticipated; (2) Brazil may continue to act as principal supplier in most years because of its strong policy support for processed meal exports; (3) the intra-EC share will remain relatively stable in the absence of any major increase in its crushing capacities; and (4) among other suppliers, Argentina may play a more prominent role in 1981-85, but its share will remain comparatively small since the 1977-79 base is only 3.9 percent.

Soybean Meal Equivalent

The EC market can also be considered in terms of demand for both soybeans and soybean meal combined by converting soybean tonnages into soybean meal equivalent (SME). Approximately 80 percent of any given weight of soybeans will convert into soybean meal through crushing.

Viewed in terms of SME--soybeans and soybean meal combined--the United States remained the dominant supplier during 1974-79. The U.S. SME share declined moderately from an annual average of 63.5 percent during 1974-76 to 57.4 percent during 1977-79, however, remaining within 55 to 68 percent (see table 9). Brazil's share, despite strong soybean meal exports, declined slightly in terms of its SME share from 22.6 percent (1974-76) to 20.4 percent (1977-79). Argentina's share expanded from 1.0 to 8.0 percent between the two 3-year periods.

The U.S. share will probably remain relatively stable for both soybeans and soybean meal during 1981-85. The U.S. market share for the combined SME market should therefore remain within a 55- to 65-percent range during that period.

Sunflowerseed

EC demand for sunflowerseed increased dramatically from an average of 225,000 tons in 1974-76, valued at \$49 million

annually, to 813,000 tons, valued at \$180 million, during 1977-79. As table 10 indicates, the increase in demand was especially sharp in 1978 and 1979.

The United States is the predominant supplier to the booming EC market, averaging 611,000 tons a year during 1977-79, or 76.6 percent of the total. In 1979, U.S. shipments reached a record 827,000 tons valued at \$264 million. The U.S. share varied from 56 to 83 percent during 1974-79, with the trend generally up. The 76.6-percent share in 1977-79 compares with 64.7 percent during 1974-76.

Fairly wide annual variations in the U.S. share are due to its wide crop variations. During 1977-79, the main U.S. competitors (with average annual volume share) were Argentina (4.7 percent), Canada (4.1), France (3.3), Australia (2.8), and Hungary (2.8). Argentina's position in this group is based entirely on EC imports of 128,000 tons in 1978, for a 14-percent volume share. In all other years during 1974-79, Argentina shipped either no sunflowerseed (1974-77) or an insignificant amount (0.2 percent of the EC market in 1979). Thus, the United States is the only consistently major supplier of sunflowerseed. Hungary's share failed to keep pace with expanding demand during 1974-79, while other suppliers experienced wide variations.

West Germany is by far the largest EC user of imported sunflowerseed, buying 71 percent of EC total imports in

Table 9--Combined soybean and soybean meal imports in soybean meal equivalent, by volume and supplier share, EC

Origin	1974	1975	1976	1977	1978	1979
	1,000 metric tons					
Total	11,485	10,740	12,487	12,653	16,531	17,800
United States	7,802	6,419	7,861	7,274	9,809	9,884
Brazil	2,202	2,855	2,763	2,959	3,058	3,449
Argentina	34	112	210	642	1,369	1,865
Intra-EC	1,207	1,191	1,405	1,520	1,944	2,277
Other	240	163	248	258	351	325
	Percent					
Total	100.0	100.0	100.0	100.0	100.0	100.0
United States	67.9	59.8	62.9	57.5	59.3	55.5
Brazil	19.2	26.6	22.1	23.4	18.5	19.4
Argentina	.3	1.0	1.7	5.1	8.3	10.5
Intra-EC	10.5	11.1	11.3	12.0	11.8	12.8
Other	2.1	1.5	2.0	2.0	2.1	1.8

Source: (3, 10).

1977-79, primarily for production of margarine and other sunflower oil products (20). Sunflowerseed product consumption was equal to more than one-third the total butter consumption there in recent years, and to almost one-fifth of all margarines and cooking and salad oils consumed. Sunflowerseed crushing capacity expanded rapidly until 1978, when oil produced by German mills exceeded domestic requirements.

EC imports of sunflowerseeds from the United States were distributed by volume in 1977-79 to: West Germany (70.9 percent), France (11.3 percent), Italy (10.6 percent), United Kingdom (5.4 percent), Belgium-Luxembourg (1.3 percent), and the Netherlands (0.7 percent). Like all oilseeds, U.S. sunflowerseed exports to the EC enter free of import duties or levies, ensuring nondiscriminatory treatment.

Decorticated (husked) sunflowerseed has a high protein content of approximately 42 percent. It is richer than soybean meal in the essential amino acid methionine but poorer in lysine. Because of its high fiber content, it is used mainly in cattle feed. World production of sunflowerseed in 1979 totaled 15.2 million tons (of which the Soviet Union produced 35.3 percent, the United States 22.9 percent, and Argentina 9.4 percent), compared to a much greater world production of 94.2 million tons of soybeans. The United States increased sunflowerseed

Table 10--Sunflowerseed imports by volume and supplier share, EC

Origin	1974	1975	1976	1977	1978	1979
	1,000 metric tons					
Total	215	154	306	416	914	1,109
United States	133	86	234	345	661	827
Australia	8	30	5	0	28	58
Canada	5	0	0	8	22	88
Hungary	20	15	17	17	17	27
France	12	4	31	8	18	66
Other	37	19	19	38	168	43
	Percent					
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0
United States	61.9	55.8	76.5	82.9	72.3	74.6
Australia	3.7	19.5	1.6	0	3.1	5.2
Canada	2.3	0	0	1.9	2.4	7.9
Hungary	9.3	9.7	5.6	4.1	1.9	2.4
France	5.6	2.6	10.1	1.9	2.0	6.0
Other	17.2	12.3	6.2	9.1	18.4	3.9

1/ Totals may not add because of rounding.
Source: (3).

output by 90 percent in 1979 over the previous year, entirely on the basis of increased planting. The United States should remain the EC's predominant supplier of sunflowerseed during 1981-85, with a 65- to 80-percent share.

Peanuts (Groundnuts)

EC imports of U.S. peanuts averaged 186,000 tons annually, valued at \$143 million, during 1977-79, an enormous increase over 1967-69 U.S. shipments, which averaged only 19 tons a year (see table 11). The U.S. share of the EC peanut market also expanded from only 2.0 percent in 1967-69 to 43.9 percent a decade later. These U.S. gains on the EC market came during a period when total EC imports were declining. Peanut imports fell from an average 952,700 tons annually during 1967-69 to 424,300 tons during 1977-79, a 55-percent drop. Peanuts, like other oilseeds, enter the EC free of import duty. Thus, the United States has equal access to the market vis-a-vis tropical suppliers who might otherwise benefit from tariff preferences.

Beginning in 1970, the use of peanut meal in animal feed cakes declined sharply relative to other protein ingredients, particularly soybean meal. Peanut meal, like soybean, has the advantage of very high protein content--up to 50 percent by weight, but the instability of supply is a serious disadvantage. Major peanut growing areas are subject to severe droughts (as in West Africa, India, and Brazil in the seventies), with wide yield and price fluctuations. While peanut meal remains a viable protein feed ingredient, supply irregularities and the consequent unfavorable price ratios have discouraged its use.

Peanut meal is also at a disadvantage to soybean meal because it is deficient in the essential amino acid lysine, needed in poultry and hog feeds. Soybean meal, on the contrary, is rich in lysine. (Soybeans are deficient in methionine, another essential amino acid, but synthetic methionine is widely manufactured and relatively inexpensive, whereas synthetic lysine is substantially more costly.) Peanut meal must also be handled carefully (another cost) to avoid contamination by the highly toxic mold aflatoxin.

High-quality peanuts are used increasingly in the EC for preparation of cakes, snacks, confections, and the like. Approximately half the peanuts consumed in EC countries during 1977-79 were used for food, while the remainder were converted by crushing into peanut oil and meal (used for animal feed). Of the EC countries, only France and Italy currently crush peanuts.

African suppliers, principally Nigeria, Niger, Senegal, Gambia, Sudan, and South Africa, together dominated the EC peanut market during 1967-69, averaging about 90 percent of the market's volume annually. Africa's share started to decline after 1970, reaching a low of only 33 percent during 1977-79, mainly because of extremely severe droughts in West Africa, but also because of some countries' preference to

Table 11--Peanut imports by volume and supplier share, EC

Origin	1967	1968	1969	1970	1971	1972	1973
<hr/>							
	1,000 metric tons						
Total	950	1,077	831	652	507	438	549
United States	32	20	5	3	33	75	71
Africa	823	954	741	539	381	268	385
Latin America	3	2	5	15	11	11	13
Asia	39	37	44	32	30	40	29
Other <u>1/</u>	53	64	36	63	52	44	51
<hr/>							
	Percent						
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	3.4	1.9	.6	.5	6.5	17.1	12.9
Africa	86.6	88.6	89.2	82.7	75.1	61.2	70.1
Latin America	.3	.2	.6	2.3	2.2	2.5	2.4
Asia	4.1	3.4	5.3	4.9	5.9	9.1	5.3
Other <u>1/</u>	5.6	5.9	4.3	9.6	10.3	10.1	9.3
<hr/>							
	1974	1975	1976	1977	1978	1979	
<hr/>							
	1,000 metric tons						
Total	498	462	572	417	438	418	
United States	108	99	31	119	200	240	
Africa	242	247	383	206	136	79	
Latin America	24	18	11	19	40	69	
Asia	75	40	110	51	21	15	
Other <u>1/</u>	49	58	37	22	41	15	
<hr/>							
	Percent						
Total	100.0	100.0	100.0	100.0	100.0	100.0	
United States	21.7	21.4	5.4	28.5	45.7	57.4	
Africa	48.6	53.5	67.0	49.4	31.1	18.9	
Latin America	4.8	3.9	1.9	4.6	9.1	16.5	
Asia	15.1	8.7	19.2	12.2	4.8	3.6	
Other <u>1/</u>	9.8	12.5	6.5	5.3	9.3	3.6	

1/ Principally transshipments, through EC ports, of peanuts originating in the United States, Africa, Latin America, or Asia.

Source: (10).

process the peanuts domestically and export the oil and meal, which have value-added content (the EC imported over half of its peanut oil from African suppliers during 1977-79).

While the U.S. share of the EC peanut market registered major gains during 1967-79, it varied widely from year to year. Even in recent years it ranged from as low as 5.4 percent in 1976 to as high as 57.4 percent in 1979. Because of a disastrous drought in 1980, the U.S. share was again expected to decline. Wide variations in peanut crop yields and supply availabilities throughout the world make it impossible to predict supplier shares with precision.

COARSE GRAINS

Corn is overwhelmingly the principal EC coarse grain import from the United States, accounting in 1977-79 for 96.6 percent of the total by volume. EC imports of U.S. barley amounted to only 1.3 percent of total coarse grain imports and other coarse grains (principally oats and grain sorghum) for the remaining 2.1 percent.

Corn

Corn developed rapidly as an EC animal feed after 1960. EC imports from the United States expanded from an average of 7.2 million tons during 1967-69 to 12.4 million tons, valued at \$1.6 billion, in 1977-79 (table 12). The U.S. volume share of the market also expanded from an average of 51.1 percent in 1967-69 to 69.2 percent a decade later. Corn use was stimulated by a rapid expansion of large-scale commercial poultry and hog production during the seventies.

The United States and France together account for an increasing share of the market, supplying 81.5 percent of total EC corn imports during 1977-79. Argentina's share declined from 17.6 percent during 1967-69 to only 11.0 percent a decade later. Italy's share of this EC import market averaged less than 1 percent during 1977-79. This increasingly bipolar character of the EC corn market (between the United States and France) is reflected in the fact that their combined share during 1975-79 ranged narrowly from 77 to 83 percent. The two countries' respective shares varied widely during that period. The French share hit its lowest point in the 1967-79 period in 1977, when it fell to 3.7 percent. Conversely, the U.S. share reached a high of 77.0 percent that year. France's share increased rapidly in 1978 and 1979, reflecting excellent crop output; the U.S. share declined proportionately.

Thus, the United States tends to act as a residual supplier to meet demand unfilled by France. This is because EC producers have a decisive built-in competitive advantage: the system of variable levies to assure that the price of U.S. corn is normally higher than that of domestically produced grain (16).

Over the long term, the U.S. share of the EC market will vary according to the EC's self-sufficiency. Because the market favors domestic producers, complete self-sufficiency would diminish the U.S. and other external suppliers' shares to near

Table 12--Corn imports by volume and supplier share, EC

Origin	1967	1968	1969	1970	1971	1972	1973
<u>1,000 metric tons</u>							
Total 1/	13,850	15,340	13,187	14,624	15,813	16,105	18,133
United States	6,344	8,498	6,854	7,132	7,034	7,709	10,809
Argentina	2,803	2,002	2,582	3,235	3,393	2,288	2,356
Intra-EC							
Total 2/	1,776	1,594	2,114	2,319	4,129	4,599	4,265
France	1,135	847	1,495	1,891	3,400	3,539	3,228
Other	2,927	3,246	1,637	1,938	1,257	1,509	703
<u>Percent</u>							
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	45.8	55.4	52.0	48.8	44.5	47.9	59.6
Argentina	20.2	13.1	19.6	22.1	21.5	14.2	13.0
Intra-EC							
Total 2/	12.8	10.4	16.0	15.9	26.1	28.6	23.5
France	8.2	5.5	11.3	12.9	21.5	22.0	17.8
Other	21.1	21.2	12.4	13.3	7.9	9.4	3.9
	1974	1975	1976	1977	1978	1979	
<u>1,000 metric tons</u>							
Total 1/	17,418	18,199	20,529	19,905	17,115	16,162	
United States	9,132	11,734	14,302	15,321	11,671	10,101	
Argentina	2,537	1,414	1,802	2,124	1,799	1,907	
Intra-EC							
Total 2/	4,785	2,713	3,647	1,881	3,193	3,929	
France	3,689	2,313	2,029	732	2,449	3,036	
Other	964	2,338	778	579	452	225	
<u>Percent</u>							
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	
United States	52.4	64.5	69.7	77.0	68.2	62.5	
Argentina	14.6	7.8	8.8	10.7	10.5	11.8	
Intra-EC							
Total 2/	27.5	14.9	17.8	9.4	18.7	24.3	
France	21.2	12.7	9.9	3.7	14.3	18.8	
Other	5.5	12.8	3.8	2.9	2.6	1.4	

1/ Totals may not add because of rounding.

2/ Intra-EC totals given by UN data include not only corn supplied by France (the only EC supplier) but also some transshipments of U.S. corn through the Netherlands to other EC destinations, particularly the United Kingdom. The intra-EC supplier shares are therefore somewhat inflated at the expense of the U.S. shares.

Source: (10).

zero. This would be particularly true if the EC developed a surplus, meeting its own market demand and exporting as well.

The EC's self-sufficiency level, while rising, fluctuates widely (table 13). As recently as 1976-77 (a drought year), the level fell to virtually the same point as a decade earlier. Progress in achieving greater self-sufficiency is slow. The high 60.6 percent in 1979-80 was only slightly above 1973-74. Nevertheless, corn production and the corn self-sufficiency ratio have risen much faster than consumption because of the EC's tendency to increase feeding of other grains (including soft wheat) and concentrates faster than corn (when substitution for corn is feasible).

The EC can theoretically increase its corn self-sufficiency level and hence its share of the total import market by expanding production, reducing consumption, or a mix of both. No large-scale expansion of corn production is expected during 1981-85. In France, planting of wheat and other crops is increasing at the expense of corn. This shift is attributed to farmer dissatisfaction with corn's wide yield fluctuations, higher energy costs for corn irrigation and drying, and EC policies which encourage alternative crops, especially feed wheat, barley, and rapeseed. Thus, the EC is not moving

Table 13--Production, consumption, and self-sufficiency ratios for corn, EC

Crop year	Production	Consumption	Self-sufficiency ratio
	- - 1,000 metric tons - -		- - Percent - -
1966/67	7,979	20,199	39.5
1967/68	8,221	21,933	37.5
1968/69	9,660	21,240	45.5
1969/70	10,647	21,064	50.6
1970/71	12,827	22,862	56.1
1971/72	13,937	25,321	55.0
1972/73	13,565	25,506	53.2
1973/74	16,376	27,452	59.7
1974/75	14,301	26,542	53.9
1975/76	14,099	27,152	51.9
1976/77	11,316	28,577	39.6
1977/78	15,517	27,596	56.2
1978/79	16,354	28,493	57.4
1979/80	17,221	28,439	60.6
1980/81	16,368	26,187	62.5

Source: (19).

toward increased corn self-sufficiency through expanded output. Table 13 reveals a leveling off of total EC corn production during 1977-80, and little additional growth occurred during the 1981-82 crop year.

Greece's accession to the EC in 1981 and the expected accession of Spain and Portugal in the mideighties will not increase total EC production in the medium term. All are net importers of corn, more than half of it from the United States. Over the long term (1985-95), Spain has the potential to become a significant corn producer. The EC's price support system, plus free access to the EC market, will act as a stimulus. However, whether corn production is increased will depend on the availability of irrigated land and particularly whether this land will be needed to produce the more profitable fruits, vegetables, and nuts for the export market.

The EC can also increase its corn self-sufficiency by stabilizing or reducing consumption. Corn consumption has in fact leveled off starting with the 1976-77 crop year (table 13). Corn consumption for feed can be reduced through substitution of other ingredients--either grains or nongrain feeds--in compounds.

The EC is actively encouraging livestock producers to use barley and feed wheat rather than corn, whenever possible, by increasing the market price of corn relative to the other grains (11). Price margins between domestically produced feed grains (including feed wheat) and their corresponding imports have been widened. The relatively higher import prices have tended to pull up the EC market price of all corn, imported or not, since corn is not in surplus. In contrast, the EC market prices of barley and feed wheat, normally produced in surplus, are generally unaffected by the increased import price margins.

Corn replacement in EC hog and cattle feed is already common, but corn cannot be entirely replaced in feed for intensive poultry and egg production; high-energy grains such as corn or grain sorghum are required. Thus, intensive poultry and egg production set minimum requirements for corn use in the EC although the minimum level has not been quantified.

Another constraint on reducing corn consumption is its role as an industrial raw material, principally for starch and other corn products manufacture, but also for distilling. During 1977-79, an estimated one-fourth of EC corn consumption went into industrial uses.

The U.S. volume share of the corn market during 1975-79 consistently exceeded 60 percent, averaging 68 percent. This was well above the trend of the 1967-74 period, when the U.S. share was generally below 60 percent. Whether the U.S. share remains within the 50- to 65-percent range during 1981-85 depends on the effect of higher corn prices (relative to other grains) on EC consumption and production. If EC output

stabilizes while consumption declines, the EC's level of corn self-sufficiency will increase and the U.S. share will decline. If EC production and consumption retain their current relative balance, the U.S. share will stabilize, with annual fluctuations reflecting differences in the EC corn crop. There is little likelihood of any increase in the U.S. share, in view of the EC's policy encouraging use of barley and feed wheat in place of corn whenever possible.

Barley

EC barley imports from all sources increased from an annual average of 3.7 million tons during 1967-69 to 5.3 million tons a decade later (table 14). EC suppliers accounted for 65.4 percent of the EC import market during 1967-69; 10 years later, they accounted for 73.1 percent. The role of EC suppliers became even more marked in 1978 (84.7-percent share) and 1979 (83.6-percent share). This expanding role is due to a rapid increase in EC barley production from an average of 33.3 million tons annually during 1971-75 to 39.7 million tons during 1978-80. Output expanded particularly after 1977, both because of a tendency among EC farmers to reduce corn output in favor of other crops (including barley), and because of EC price policies favoring domestically grown barley and feed wheat over corn.

Meanwhile, EC barley imports from the United States dropped from an annual average of 262,000 tons during 1967-69 to only 170,000 tons, valued at an annual average of \$24 million during 1977-79. Between the two periods, the U.S. share fell from 7.2 to only 3.1 percent. In 1978 and 1979, the U.S. share dropped to less than 1 percent. Sales were virtually zero in the latter year.

Canada, the EC's other principal long-term external supplier, fared better. Its share rose from an average of 10.0 percent during 1967-69 to 12.6 percent a decade later. In both 1978 and 1979, however, its share fell below 12 percent. Australia has intermittently been a major source; in 1977, when EC feed demand was heightened by the 1976 drought, its share reached 16.5 percent. In 1978 and 1979, however, its share fell below 5 percent. Because of the CAP system of variable import levies, domestic EC barley producers can normally sell their crops at lower prices than imported barley. The United States, Canada, Australia, and other external producers are thus residual suppliers of the EC market. The EC's policy of widening the price margins between domestic and imported grains, if continued, may further reduce the shares of non-EC barley suppliers. The outlook is poor for any U.S. recapture of a significant share of the barley market; exceptions may occur when EC feed grain production is severely affected by adverse weather conditions.

BYPRODUCT FEEDS

A broad range of feed ingredients other than oilseeds and coarse grains is used by European feed compounders. These include byproducts of the food and chemical industries, particularly grain milling, sugar refining, and citrus processing. Among the most dynamic U.S. feed ingredient

Table 14--Barley imports by volume and supplier share, EC

Origin	1967	1968	1969	1970	1971	1972	1973
<u>1,000 metric tons</u>							
Total 1/	3,782	3,421	3,902	5,391	5,617	4,852	4,498
United States:	475	280	31	147	597	106	508
Canada	517	301	298	1,689	2,031	1,846	1,180
Other Western:							
Europe	131	77	168	106	303	227	42
Australia	149	19	253	370	604	655	188
Intra-EC	2,322	2,424	2,488	2,407	1,839	1,783	2,306
<u>Percent</u>							
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States:	12.6	8.2	.8	2.7	10.6	2.2	11.3
Canada	13.7	8.8	7.6	31.3	36.2	38.1	26.2
Other Western:							
Europe	3.5	2.3	4.3	2.0	5.4	4.7	.9
Australia	3.9	.6	6.5	6.9	10.8	13.5	4.2
Intra-EC	61.4	70.9	63.8	44.6	32.7	36.7	51.3
	1974	1975	1976	1977	1978	1979	
<u>1,000 metric tons</u>							
Total 1/	5,177	4,626	5,708	5,508	5,892	4,400	
United States:	151	66	408	475	34	1	
Canada	636	591	1,137	828	669	505	
Other Western:							
Europe	5	115	144	219	35	3	
Australia	199	368	596	911	106	201	
Intra-EC	4,061	3,448	2,923	2,813	4,993	3,680	
<u>Percent</u>							
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	
United States:	2.9	1.4	7.1	8.6	.6	.02	
Canada	12.3	12.8	19.9	15.0	11.4	11.5	
Other Western:							
Europe	.1	2.5	2.5	4.0	.6	.1	
Australia	3.8	8.0	10.4	16.5	1.8	4.6	
Intra-EC	78.4	74.5	51.2	51.1	84.7	83.6	

1/ Totals include imports from countries in addition to those specified.

Sources: (7, 10).

exports in the industrial byproduct sector are corn gluten feed (less than 40-percent protein) and citrus pulp. These products enter the EC duty-free. Table 15 shows EC imports of several of the more important byproduct feeds by volume and principal supplier shares.

Corn Gluten Feed

One of the most rapidly increasing U.S. feed ingredient exports to the EC during 1974-79 was corn gluten feed. EC imports from the United States more than tripled from 619,000 tons in 1974 to 1,916,000 tons, valued at \$359 million in 1979. The U.S. market share likewise climbed steadily during the 6-year period from 69.9 to 84.2 percent. The Netherlands took 56 percent and West Germany 41 percent of EC gluten feed imports from the United States during 1977-79.

The U.S. corn refining (wet milling) industry combined a high level of manufacturing efficiency with active sales promotion to contribute to this rapid export growth. Averaging 26-percent protein by weight, corn gluten feed is used principally in hog and cattle rations.

Corn gluten feed enters the EC free of import levies or tariffs. On a least-cost basis, it is highly competitive as a source of nutrients in many formulas. Its free entry into the EC (as negotiated in the GATT) along with high EC grain prices, played a decisive role in its rapid growth as a U.S. export.

France, the EC's principal corn producer, is the only significant supplier of corn gluten feed other than the United States. The French volume share declined from 13.8 to 8.1 percent during 1974-79, moving inversely to the U.S. share. The U.S. position on the EC corn gluten feed market should hold during 1981-85, in the absence of any other major suppliers. The level of EC imports should also continue to increase, provided supplies increase and assuming that the EC does not act to restrain corn gluten feed imports through quantitative restrictions or other barriers. Supplies will depend in large part on developments in the high fructose corn syrup industry. A U.S. share of 70 to 90 percent is projected for the period.

Milling Byproducts

EC imports of milling byproducts (excluding corn and rice) increased sharply in 1974-75 before leveling off at approximately 2.4 million tons annually during the remainder of the seventies. The group includes brans of soft and hard wheat, wheat sharps, and middlings.

Milling byproducts are subject to import levies on entering the EC. The EC grants preferential treatment, in the form of reduced levies, to shipments originating in Egypt, Algeria, Morocco, Tunisia, and the African, Caribbean, and Pacific signatories of the Lome Convention.

In 1979, EC imports were valued at \$337 million, of which the United States supplied \$23 million. The U.S. volume share of

the market increased from 4.1 percent during 1974-76 to 6.0 percent during 1977-79, with considerable fluctuations. Average annual EC imports of U.S. milling byproducts (except corn and rice) during 1977-79 were distributed by volume to the Netherlands (78.2 percent), West Germany (10.5 percent), Belgium-Luxembourg (6.1 percent), United Kingdom (3.2 percent), Italy (0.9 percent), Ireland (0.6 percent), Denmark (0.3 percent), and France (0.2 percent).

Argentina is the principal supplier with a share ranging from 36 to 39 percent during 1974-79. Canada, the second largest supplier, maintained a 9- to 13-percent share, although its share may include some U.S. milling byproducts moving through Canadian ports. Argentina's and Canada's dominance of this market indicates that their milling byproducts are high in quality, largely milled from hard wheat. This factor, combined with favorable prices, makes continued large sales possible despite EC preferences granted other suppliers.

Citrus Pulp

Citrus pulp, a byproduct of the citrus fruit processing industry, is a major U.S. feed export to the EC. Dried citrus pulp is used as a carbohydrate ingredient in compound cattle feed. Because it is relatively low in protein, it must be supplemented with soybean meal and/or other high-protein ingredients. Citrus pulp enters the EC free of tariffs or levies.

Total EC citrus pulp imports rose from 340,000 tons in 1974 to 1.3 million tons, valued at \$185 million, in 1979 (table 15). ^{8/} The United States and Brazil together supply over 90 percent of EC imports. In this bipolar situation, the U.S. and Brazilian shares are inversely related. The big drop in Brazil's share in 1977 (from which it later recovered) was due to a poor crop year combined with a sharp rise in EC demand.

The Netherlands in 1977-79 accounted for 85.0 percent by volume of total EC citrus pulp imports. The remainder was largely divided among Denmark (7.6 percent), Belgium-Luxembourg (3.7 percent), and West Germany (3.1 percent).

If the current two-supplier situation remains, the United States should have no difficulty retaining a major share of the EC citrus pulp market. During 1981-85, Brazil's share may increase somewhat relative to the United States because of the more rapid expansion of Brazil's citrus processing industry. The U.S. supplier share should remain in the 50-percent range, however, with temporary deviations always possible because of crop shortfalls in either country.

^{8/} Trade data for citrus pulp are classified under the more general heading in EC statistics: "2306.50: oak acorns, horse chestnuts and fruit pulp (except raisin pulp)." It is assumed that EC imports from the United States and Brazil (which made up 90 percent of the total within this heading in 1979) are citrus pulp.

Table 15--Byproduct feed imports by volume and supplier share, EC

Item	Volume										Supplier share			
	1974	1975	1976	1977	1978	1979	1974	1975	1976	1977	1978	1979	1978	1979
	1,000 metric tons										Percent			
Corn gluten feed	885	1,103	1,319	1,737	1,940	2,277	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	619	861	1,052	1,365	1,567	1,916	69.9	78.1	79.8	78.6	80.8	84.1	80.8	84.1
France	122	124	132	167	191	184	13.8	11.2	10.0	9.6	9.8	8.1	9.8	8.1
Other	144	118	135	205	182	177	16.3	10.7	10.2	11.8	9.4	7.8	9.4	7.8
Citrus, other fruit pulp:	340	500	675	995	1,022	1,268	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	178	263	338	676	604	675	52.4	52.6	50.1	67.9	59.1	53.2	59.1	53.2
Brazil	123	196	263	257	363	492	36.2	39.2	39.0	25.8	35.5	38.8	35.5	38.8
Other	39	41	74	62	55	101	11.5	8.2	11.0	6.2	5.4	8.0	5.4	8.0
Beet pulp	621	756	973	1,039	872	951	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	17	19	95	164	58	92	2.7	2.5	9.8	15.8	6.7	9.7	6.7	9.7
France	235	289	273	423	451	450	37.8	38.2	28.1	40.7	51.7	47.3	51.7	47.3
West Germany	166	161	127	105	91	184	26.7	21.3	13.1	10.1	10.4	19.3	10.4	19.3
Spain	68	64	189	173	134	62	11.0	8.5	19.4	16.7	15.4	6.5	15.4	6.5
Other	135	223	289	174	138	163	21.7	29.5	29.7	16.7	15.8	17.1	15.8	17.1
Milling byproducts ^{1/}	1,321	1,613	2,342	2,478	2,420	2,352	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	32	74	126	204	79	150	2.4	4.6	5.4	8.2	3.3	6.4	3.3	6.4
Canada	135	206	254	234	307	273	10.2	12.8	10.8	9.4	12.7	11.6	12.7	11.6
Argentina	505	588	887	944	936	919	38.2	36.5	37.9	38.1	38.7	39.1	38.7	39.1
Indonesia	94	125	197	118	188	166	7.1	7.7	8.4	4.8	7.8	7.1	7.8	7.1
Nigeria	45	71	84	155	140	148	3.4	4.4	3.6	6.3	5.8	6.3	5.8	6.3
France	122	108	106	127	179	233	9.2	6.7	4.5	5.1	7.4	9.9	7.4	9.9
Netherlands	66	116	226	329	270	196	5.0	7.2	9.6	13.3	11.2	8.3	11.2	8.3
Other	322	325	462	367	321	267	24.4	20.1	19.7	14.8	13.2	11.4	13.2	11.4

^{1/} Except corn and rice.

Source: (3).

Dried Beet Pulp

Beet pulp is a staple feed ingredient, a byproduct of the beet sugar refining industry. Averaging 9-percent protein, it is considered a favorable ingredient for formulas prepared for milking cows and fattening cattle. Beet pulp can effectively be incorporated in compound cattle feed, and to a lesser extent hog feed, as a source of carbohydrates, and can be partially substituted for grain in many formulas. EC import demand increased from an average of 783,250 tons during 1974-76 to 954,300 tons during 1977-79. In 1979, imports were valued at \$136 million, of which \$16 million came from the United States.

The U.S. volume share is highly variable. In 1977, when most EC countries experienced feed shortages because of the 1976 drought, the U.S. share reached 15.8 percent. It averaged 10.7 percent during 1977-79.

France is the principal supplier, its share approaching half of the market by volume. This is due to France's preeminence in Europe as a beet producer. West Germany's share is also relatively large. Although there is no tariff or levy on beet pulp, transportation costs are high relative to its price because of its bulky character. U.S. pulp, most of it produced far inland in the upper Midwest, is at a decisive disadvantage because of transportation costs.

The EC market for U.S. beet pulp is a residual one, and large U.S. sales are limited to periods of EC feed shortages.

WHEAT

Wide year-to-year variations were a hallmark of EC wheat imports from the United States during 1967-79. They ranged from 1 to 3 million tons annually (see table 16). U.S. shipments increased from an average of 1.7 million tons (valued at \$124 million in current terms) during 1967-69 to 2.0 million tons (worth \$330 million) during 1977-79. The U.S. volume share of the market also rose slightly from 17.2 percent during 1967-69 to 18.6 percent a decade later.

The overall level of EC wheat imports from all sources, internal and external, increased strongly in 1968 and 1969 before leveling off to 10 to 12 million tons a year during the seventies. The volume and share of EC imports from within rose steadily during 1967-79. The French share of the EC wheat import market soared from an annual average of 19.5 percent during 1967-69 to 42.4 percent a decade later.

Canada and the United States were the leading external suppliers throughout the period. Their combined share of the EC wheat market declined from an annual average of 44.7 percent during 1967-69 to 41.0 percent a decade later. Shares fluctuated widely, with especially large North American shares in 1967 (55.8 percent), 1970 (48.1 percent), and 1975 (49.9 percent).

The Canadian share was larger than the United States except in 1973, 1975, and 1979, according to UN data. During 1967-69,

Table 16--EC: Imports of wheat from major suppliers by volume and supplier share

Origin	1967	1968	1969	1970	1971	1972	1973
1,000 metric tons							
Total	8,546	9,556	11,870	11,730	11,103	11,650	12,010
EC	1,607	2,886	4,714	3,351	3,278	4,719	5,781
France	821	1,663	3,722	3,015	2,564	4,019	4,866
United States	1,856	1,760	1,377	2,666	2,149	2,397	2,990
(United States) <u>1/</u>	(2,124)	(2,016)	(1,346)	(2,788)	(2,153)	(2,452)	(2,867)
Canada	2,916	2,674	2,437	2,984	2,988	2,477	2,239
Percent							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EC	18.8	30.2	39.7	28.6	29.5	40.5	48.1
France	9.6	17.4	31.4	25.7	23.1	34.5	40.5
United States <u>2/</u>	21.7	18.4	11.6	22.7	19.4	20.6	24.9
(United States) <u>3/</u>	(24.9)	(21.1)	(11.3)	(23.8)	(19.4)	(21.1)	(23.9)
Canada	34.1	28.0	20.5	25.4	26.9	21.3	18.6
1,000 metric tons							
Total	10,099	11,153	10,982	10,471	11,212	10,198	
EC	6,009	5,247	6,369	6,256	6,127	5,258	
France	4,774	2,963	4,586	4,734	4,682	4,101	
United States	1,377	2,972	1,802	1,122	2,327	2,467	
(United States) <u>1/</u>	(1,807)	(3,019)	(1,761)	(1,690)	(2,431)	(2,484)	
Canada	2,332	2,591	2,154	2,498	2,462	2,173	
Percent							
Total	100.0	100.0	100.0	100.0	100.0	100.0	
EC	59.5	47.1	58.0	59.8	54.7	51.6	
France	47.3	26.6	41.8	45.2	41.8	40.2	
United States <u>2/</u>	13.6	26.7	16.4	10.7	20.8	24.2	
(United States) <u>3/</u>	(17.9)	(27.1)	(16.0)	(16.1)	(21.7)	(24.4)	
Canada	23.1	23.2	19.6	23.9	22.0	21.3	

1/ Data in parentheses are U.S. export data, U.S. Bureau of the Census, adjusted for transshipments through Canadian and West European ports. They differ from the UN import data because of transshipments not reflected in UN data and because of temporal "leads and lags." Differences are very small (within + 1 percent if data are computed as shares of total EC-9 imports) except in 1967, 1968, 1974 and 1977.

2/ Computed on basis of UN data.

3/ Computed on basis of U.S. Bureau of the Census data (see note 1). These are not true shares, since they are derived from data not strictly comparable but are useful for trend analysis.

Sources: (7, 10, 13).

it ranged from 18 to 34 percent; the U.S. share ranged from 10 to 27 percent. ^{9/}

The EC wheat import market is increasingly supplied by two regional sources: North America (which provides mainly hard wheat) and the EC itself. Those regions together accounted for over 90 percent of the EC import market after 1973. Other suppliers (chiefly of hard wheat), namely Australia and Argentina, dropped almost completely out of the market after 1972. Australia's share fell from an average of 12.0 percent during 1970-72 to only 1.0 percent during 1973-75, while Argentina's share declined from 3.7 to 2.7 percent during the same periods. The increasingly bipolar character of EC wheat imports after 1973 created an inverse relationship between the North American and EC shares.

Stimulated by the CAP policy of high price supports and open-ended intervention buying of wheat, EC production of soft and durum wheat expanded from an average of 36.2 million tons annually during 1967-69 (August-July years) to 44.0 million tons during 1977-79, an increase of nearly 22 percent. This policy generated large surpluses, and probably prevented EC wheat consumption from rising as rapidly as it otherwise would by maintaining relatively high price levels. The ratio of wheat production to consumption rose from 93.7 percent during 1967-69 to 108.0 percent a decade later.

Wheat price policies were therefore modified in the late seventies to encourage use of feed wheat by making it relatively cheaper than either breadmaking wheat or corn. Displacement of corn by soft wheat was a major factor in the leveling off of U.S. corn shipments to the EC toward the end of the decade. Because the EC wheat surpluses had become very large under the CAP, the increasing recourse was to export to third countries, with the help of subsidies. The EC became a serious competitor on world markets, capable of meeting or undercutting prices of U.S. wheat and that of other suppliers. A similar situation occurred for EC wheat flour, which also benefits from export subsidies.

Despite the rapid rise in the EC's own production, demand for North American wheat remained relatively stable. The North American share of the market, though declining modestly after

^{9/} UN data distinguish U.S.-origin wheat, transshipped through Canada, from Canadian wheat. Because of differences in the reporting methodology of the various EC countries, however, some transshipped U.S. wheat is usually included in the Canadian totals. UN data may therefore understate imports from the United States and overstate those from Canada. This is suggested by a comparison of UN data for imports from the United States with U.S. export data adjusted for transshipments (see table 16). Understatement of U.S. wheat shipments is particularly evident in 1974 and 1977. The adjusted U.S. export data cannot be used to compute U.S. shares, however, because of basic disparities in the data.

American share of the market, though declining modestly after 1973, remained quite consistent, as shown by 3-year moving averages of the share during 1967-79 (year shown is the middle year of each 3-year average):

Year	Percent	Year	Percent
1968	44.8	1974	44.3
1969	42.2	1975	41.0
1970	42.3	1976	40.3
1971	45.4	1977	37.9
1972	44.7	1978	41.0
1973	41.5		

The reason for the continued presence of North American wheat on the EC market, despite the CAP's high price supports and system of variable import levies, is not difficult to find. Hard red wheats grown in the United States and Canada (as well as Australia and Argentina) are required to supplement the domestic soft wheats of Western Europe. European milling technology requires that the grist be a blend of soft wheat varieties with enough high-protein hard wheat to achieve a profitable yield of baking-quality flour. While hard wheat is required in the grist for breadmaking flour, the proportion varies according to the protein quality of the soft wheats used. In some years, such as 1976-77, soft wheat grown in the major EC-producing countries was of exceptional quality, making a reduction in hard wheat use possible.

EC imports of wheat from the United States during 1977-79 were distributed by volume to Netherlands (31.6 percent), Italy (26.3 percent), United Kingdom (15.8 percent), West Germany (10.5 percent), France (10.5 percent), and Belgium-Luxembourg (5.3 percent). This distribution may exaggerate the importance of the Netherlands as an end user of U.S. wheat, since some wheat reported as a Netherlands import may later be transshipped to other EC destinations.

While U.S. wheat exports to the EC are heavily weighted toward hard varieties, favorable price conditions occasionally make sales of U.S. soft wheat possible as well. Durum wheat, used in manufacture of pasta such as macaroni and spaghetti, is also a significant, though highly variable, U.S. export. During the 2 marketing years, June 1977-May 1978 and June 1978-May 1979, the composition of U.S. wheat exports to the Community was estimated as 56-percent hard red spring, 14-percent hard red winter, 7-percent soft red winter, and 23-percent durum (15).

The need for hard wheat in the grist establishes a minimum North American share of the EC market. Because of the EC's need for hard wheat varieties, the North American share of the EC import market can be expected to stay within the rather broad range of 1968-79 (that is, 30 to 50 percent), during 1981-85. The pattern of wide annual variations, reflecting

differences in European soft wheat crop qualities, will continue. A major reduction in EC hard wheat imports would be feasible only under conditions not likely to occur in the near future; that is, adaption of hard wheat varieties to European climate and soil conditions, a change in European milling technology eliminating the need for hard wheat, or a fundamental change in European taste preferences. In the long term, however, one or more of these conditions may be met, reducing demand for North American wheat.

The share of the EC market specifically obtained by U.S., rather than Canadian, wheat suppliers will vary according to the availability of types and grades in demand, contractual arrangements, and prices. On the basis of 1967-79 trends,¹⁰ the U.S. share can be expected to fall within a 10- to 25-percent range during 1981-85.

An uncertain factor which could adversely affect the U.S. share of the wheat market during the eighties would be the development of a strong durum supply potential by Greece and Spain. Since durum accounted for almost one-fourth of total U.S. wheat shipments to the EC during 1977-79, this development could affect the U.S. share by pushing it toward the lower end of the projected range.

RICE

UN rice statistics distinguish between "rice in husk or husked" (SITC 0421) and "rice glazed or polished" (SITC 0422). The first group includes rough or paddy rice (which is unmilled) and brown rice (which is semimilled by husking paddy rice). The second group includes polished rice and parboiled rice, which are fully milled. ^{10/} The UN distinction is used in this analysis. Rough and brown rice are included in a single group. Glazed, polished, and parboiled rice, all fully milled, are viewed as a second group.

Rough and Brown Rice

During 1977-79, 54.0 percent by value of total EC rice imports and 77.8 percent of those from the United States were either rough or brown rice. To protect the domestic milling industry, EC import levies are highest on fully milled rice, less on brown rice, and lowest on rough rice (¹⁶). This accounts for the preponderance of EC imports of U.S. brown and rough rices. EC demand for these rices increased sharply in 1976 (table 17). Prior to that year, growth of EC imports was sluggish. Average annual imports of 302,200 tons during 1973-75 were only 11 percent greater than the average for 1967-69. Rough and brown imports jumped to 532,300 tons in 1976, up 76 percent from 1975. EC purchases reached a record level of almost 900,000 tons in 1978 before subsidizing in 1979.

^{10/} U.S. rice supply and distribution statistics follow a different distinction. Rough rice is "unmilled." All other forms, whatever the degree of milling, are "milled." Brown rice is therefore grouped with polished and parboiled rice as milled, while recognizing differences in the extent of processing.

The United States was the chief beneficiary of this expansion. During 1977-79, EC imports from the United States averaged 373,300 tons, valued at \$127 million annually. The U.S. volume share averaged 49 percent during the period, far ahead of any other supplier.

The EC's only significant domestic rice source is Italy. While France produced an average 100,000 tons annually during 1967-69, output had fallen to only 28,000 tons a year by 1977-79. Italy's production, which averaged 750,000 tons annually during 1967-69, increased to 925,000 tons a year by 1977-79. Italy does not produce the long-grain varieties popular in northern Europe.

The large increase in EC demand for rough and brown rices during 1976-79 reflects the response of EC millers to a steady rise in West European use of rice as a regular vegetable component of meals. A decline in EC potato output during the latter half of the seventies, with occasional severe shortages, also contributed to increased EC imports. Finally, a series of relatively small rice crop outputs in Italy engendered demand for imported rough rice by Italian millers. Although large Italian rice crops resumed in 1978, it was not until 1979-80 that EC imports from the United States and other

Table 17--Rough and brown rice imports by volume and supplier share, EC

Origin	1973	1974	1975	1976	1977	1978	1979
<u>Metric tons</u>							
Total	336,662	262,748	307,192	523,300	694,551	896,797	710,309
United States	129,635	121,624	139,901	309,377	331,169	404,539	384,182
Intra-EC	50,333	75,249	81,765	73,113	122,555	100,094	113,562
Italy	48,125	67,758	67,031	49,887	53,058	36,187	55,957
Argentina	8,420	16,612	15,275	20,763	77,171	88,434	35,432
Surinam	27,709	21,193	31,834	34,085	28,362	55,829	94,829
Uruguay	44,470	21,952	35,031	60,883	55,240	75,720	43,017
Other	76,095	6,118	3,386	25,079	80,054	172,181	39,287
<u>Percent</u>							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	38.5	46.3	45.5	59.1	47.7	45.1	54.1
Intra-EC	15.0	28.6	26.6	14.0	17.6	11.2	16.0
Italy	14.3	25.8	21.8	9.5	7.6	4.0	7.9
Argentina	2.5	6.3	5.0	4.0	11.1	9.9	5.0
Surinam	8.2	8.1	10.4	6.5	4.1	6.2	13.4
Uruguay	13.2	8.4	11.4	11.6	8.0	8.4	6.1
Other	22.6	2.3	1.1	4.8	11.5	19.2	5.5

Source: (10).

third country suppliers were affected. Continued large Italian rice crops could be expected to reduce overall EC demand from non-EC suppliers during 1981-85.

Because of high price levels maintained under the CAP, rice is still considered a luxury food in several EC countries, with wide variations in tastes and rice consumption. Annual per capita consumption during 1976-78 averaged 4.7 kilograms in Italy, 4.0 kilograms in Belgium-Luxembourg, 3.5 kilograms in the Netherlands, 3.2 kilograms in France, 2.5 kilograms in the United Kingdom, 1.8 kilograms in Denmark and in Ireland, and 1.7 kilograms in West Germany (8). (These compare with the U.S. per capita consumption average of 3.1 kilograms during that period.) The high price of rice relative to potatoes and most other vegetables makes it difficult to expand rice use in West Germany and the United Kingdom, where consumer preferences for rice are not highly developed. The low consumption levels in those countries, however, suggest potential future growth, which could be increased if the EC adopted lower price schedules.

Overall, more than two-thirds (68.8 percent) of the EC's rough and semimilled rice imports from the United States by value consisted of brown long-grain rice during 1977-79, while the remainder was almost evenly divided between long-grain rough (14.0 percent) and short-grain rough (16.2 percent). Italy's purchases were almost entirely of rough rice; as a rice-growing country, Italy has its own facilities for husking. All other EC customers imported semimilled long-grain rice. Country distributions of EC rice imports from the United States cannot be established because of transshipments; during 1977-79, for example, large direct transshipments through United Kingdom ports to continental EC destinations were common. UN and EC data therefore distort the size of the United Kingdom as a rice importer during that period.

The United States retains its prime rice supplier position despite the CAP's protective system of target prices, threshold prices, and variable levies, similar to that used for wheat and coarse grains. Besides providing direct protection for domestic producers, the CAP grants preferential treatment, in the form of reduced levies, to rice from Egypt and all African, Caribbean, and Pacific signatories of the Lome Convention. The large volume (49 percent) supplier share of the EC market obtained by U.S. rough and brown rice during 1977-79 can be attributed in part to a temporary shortfall in Italian output. The leading U.S. supplier position throughout 1973-79 can also be explained by its reliability and by EC consumer preferences for long-grain varieties.

The accession of Greece, Spain, and Portugal will not affect U.S. sales in the medium term (1981-85) but will have an impact during 1985-95. In 1977-79, Spanish paddy rice output averaged 403,000 tons annually, Portugal 115,000 tons, and Greece 95,000 tons. Their combined production, 613,000 tons,

was over two-thirds that of Italy. Despite this production, their share of the EC market for rough and semimilled rice was less than 1 percent in 1977-79 (their market share for fully milled rice was also under 1 percent). The stimulus of the CAP's price support system, combined with variable levies against imports from outside the EC, may result in an expansion of production in these countries over the long term. This expansion will depend on availabilities of land, water, and other resources as well as the relative profitability of rice production.

The U.S. share of the EC rough and brown rice market during 1973-79 ranged from 38 to 59 percent, with peaks in 1976 and 1979. During 1977-79, the U.S. volume share averaged 49.0 percent. Other long-term suppliers' 1977-79 shares were Argentina with 8.7 percent, Surinam with 7.9 percent, Uruguay with 7.5 percent, and Italy with 6.5 percent. The Italian share was abnormally low because of poor crops during 1977-79, and averaged 19.0 percent during 1974-76. The trend toward resumption of larger crops, which started in 1978, will restore the Italian share to its earlier range if continued. In addition to the main suppliers, Brazil, Chile, Egypt, and North Korea made shipments of over 30,000 tons within 1977-79 on an intermittent basis. U.S. sales of rough and semimilled rice can be adversely affected by sporadic shipments, some large, from these irregular suppliers. The Italian share is likely to regain its former range. In view of the large U.S. lead over all other suppliers, its share can be expected to range from 55 to 65 percent during 1981-85.

Polished, Glazed,
and Parboiled Rice

Fully milled rice may be polished, glazed, or parboiled. Processed rice products account for approximately one-fifth of the EC's total rice imports, by value, from the United States. During 1977-79, the Community's imports of fully milled rice averaged 455,285 tons, valued at \$236 million annually. Of these, 50,770 tons, worth \$37 million, came from the United States (table 18).

While EC suppliers have about two-thirds of the market (62.9 percent in 1977-79), the United States is the principal external supplier, with an average volume share of 11.1 percent in 1977-79, placing it well ahead of other external shippers such as Burma, Argentina, Surinam, and Thailand. The U.S. share, after falling to about 7 percent in 1976, climbed steadily during the rest of the decade.

The relatively good U.S. performance occurred despite higher EC import levies on fully milled rice and the presence of an efficient rice milling industry in the Community. EC imports from developing countries have remained small despite their advantages of lower import levies. The limited U.S. success can be attributed to its preeminence as a producer of high quality parboiled rice and to effective export promotion activities.

FRUITS, NUTS, AND
VEGETABLES

EC imports of fruits, nuts, and vegetables from the United States were valued at an annual average of \$516 million during 1977-79. This large, diverse group of commodities accounted for 6.3 percent of total U.S. agricultural sales in the EC during 1977-79.

There are several reasons why horticultural commodities represent an important component of U.S. exports. Many fruits and vegetables undergo some processing before shipment--canning, freezing, packaging, and the like. This value-added

Table 18--Fully milled rice imports by volume and supplier share, EC

Origin	1973	1974	1975	1976	1977	1978	1979
<u>Metric tons</u>							
Total	346,759	361,411	334,420	483,629	424,082	502,565	439,206
United States	51,658	36,298	26,788	34,397	37,549	58,294	56,471
Intra-EC	143,025	203,337	210,447	301,969	287,054	278,533	288,738
Belgium-							
Luxembourg	17,676	18,149	18,404	30,671	26,018	27,565	42,884
France	1,196	1,812	1,390	2,103	17,006	10,765	1,088
West Germany	12,461	12,772	12,540	19,421	20,894	34,020	16,480
Italy	100,513	159,129	156,589	210,228	196,941	181,248	206,416
Netherlands	10,818	10,349	21,034	38,203	25,619	22,907	20,695
Argentina	10,276	6,098	9,718	20,575	13,614	13,255	17,666
Burma	23,351	12,833	28,368	60,266	37,781	21,430	0
Surinam	10,267	11,343	15,487	15,145	10,993	14,197	17,068
Thailand	17,938	27,600	12,749	10,378	9,052	13,175	20,232
Other	90,244	63,902	30,863	40,899	28,039	103,681	39,031
<u>Percent</u>							
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	14.9	10.0	8.0	7.1	8.9	11.6	12.9
Intra-EC	41.3	56.3	62.9	62.4	67.7	55.4	65.7
Belgium-							
Luxembourg	5.1	5.0	5.5	6.3	6.1	5.5	9.8
France	.3	.5	.4	.4	4.0	2.1	.3
West Germany	3.6	3.5	3.8	4.0	4.9	6.8	3.8
Italy	29.0	44.0	46.8	43.5	46.4	36.1	47.0
Netherlands	3.1	2.9	6.3	7.9	6.0	4.6	4.7
Argentina	3.0	1.7	2.9	4.3	3.2	2.6	4.0
Burma	6.7	3.6	8.5	12.5	8.9	4.3	0
Surinam	3.0	3.1	4.6	3.1	2.6	2.8	3.9
Thailand	5.2	7.6	3.8	2.2	2.1	2.6	4.6
Other	26.0	17.7	9.2	8.5	6.6	20.6	8.9

1/ Percentage totals may not add because of rounding.

Source: (10).

component provides employment and revenue for U.S. processing industries. Also, production of many kinds of fruits and vegetables is relatively labor intensive at the farm level, providing farm employment. Several can be cultivated on relatively small farms, contributing to the income of small and medium-sized farm enterprises.

If fruits and vegetables (including nuts) are considered as a group (SITC 05), the U.S. share of the EC market, in terms of value, was remarkably stable during 1967-79, ranging from 3.7 percent (in 1968, 1969, and 1971) to 5.3 percent in 1976 (table 19).

Table 19--Fruit, nut, and vegetable imports by value and supplier share, EC

Origin	1967	1968	1969	1970	1971	1972	1973
<u>Million dollars</u>							
Total	3,222	3,144	3,571	3,800	4,194	5,019	6,603
United States:	154	117	133	171	154	199	249
Intra-EC	1,047	1,055	1,286	1,376	1,570	1,889	2,500
Other	2,021	1,972	2,152	2,253	2,470	2,931	3,854
<u>Percent</u>							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States:	4.8	3.7	3.7	4.5	3.7	4.0	3.8
Intra-EC	32.5	33.6	36.0	36.2	37.4	37.6	37.9
Other	62.7	62.7	60.3	59.3	58.9	58.4	58.4
	1974	1975	1976	1977	1978	1979	
<u>Million dollars</u>							
Total	7,086	8,182	9,094	10,469	11,738	13,848	
United States:	294	350	484	492	485	573	
Intra-EC	2,734	3,323	3,686	4,189	4,591	5,492	
Other	4,058	4,509	4,924	5,788	6,662	7,783	
<u>Percent</u>							
Total	100.0	100.0	100.0	100.0	100.0	100.0	
United States:	4.1	4.3	5.3	4.7	4.1	4.1	
Intra-EC	38.6	40.6	40.5	40.0	39.1	39.7	
Other	57.3	55.1	54.1	55.3	56.8	56.2	

1/ Totals may not add because of rounding.

Source: (10).

Intra-EC trade plays an exceptionally important role in Community imports of fruits and vegetables. The share of intra-EC trade averaged 39.6 percent during 1977-79. The largest suppliers were Italy with 14.0 percent, the Netherlands with 11.8 percent, and France with 7.2 percent. Among non-EC suppliers, Spain was foremost with 11.6 percent, followed by Thailand with 4.8 percent, and the United States with 4.3 percent. Thailand's exports consisted almost entirely of canned pineapple. In spite of its relatively low share, the United States thus ranks as the third largest external supplier of fruits, nuts, and vegetables to the EC.

Competition on the EC market is severe for virtually all of these commodities. The EC's own producers benefit from free access to the market, import protective mechanisms, and various CAP support programs. The EC also gives preferential, tariff treatment to a number of imports from most Mediterranean countries, namely Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Portugal, Spain, Syria, Tunisia, and Turkey, and to the ACP countries. The accession of Spain and Portugal will enhance their competitive status, vis-a-vis both EC producers and third countries such as the United States.

Five commodity groups accounted for 70 percent of the EC's fruit, nut, and vegetable imports from the United States during 1977-79--edible tree nuts, fresh citrus fruit, citrus fruit juices, dried fruit, and dried leguminous vegetables. This analysis concentrates on those key commodity groups.

Edible Tree Nuts

U.S. shipments of edible nuts to the EC averaged 58,413 tons, valued at \$155 million annually, during 1977-79. Both volumes and values increased rapidly during the 3-year period. In 1979, EC tree nut purchases from the United States reached 61,608 tons, valued at \$211 million. Unit prices increased strikingly, from \$1,912 per ton in 1977 to \$3,418 in 1979, a 79-percent rise. Tree nuts account for nearly one-third the value of all EC imports of fruits, nuts, and vegetables from the United States. The rapid increase in prices for most tree nuts is attributed to a strong surge in demand brought about by rising incomes, increased use by commercial bakeries, and consumer interest in natural and health foods (17).

Almonds

Almonds accounted for almost four-fifths of EC tree nut imports by value from the United States in 1979, or 37,848 tons, valued at \$163 million. ^{11/} The U.S. volume share of the EC's almond market fluctuated from 46 to 56 percent during 1974-79 (table 20). Other leading suppliers are Spain, with an average volume share of 23 percent in 1977-79, and Italy,

^{11/} The EC official data on which this analysis is based do not distinguish "shelled" from "unshelled" almonds. U.S. export statistics show 98.8 percent of U.S. almond shipments to the EC during 1979-80 to be shelled. Thus, for all practical purposes, the data used here refer to shelled almonds.

with an average share of 13 percent. The Spanish share during 1977-79 decreased slightly from 24 to 22 percent while the Italian share declined sharply from 18 percent to 8 percent.

EC imports of almonds from the United States in 1977-79 were distributed by volume to: West Germany (55.1 percent), United Kingdom (17.8 percent), France (13.8 percent), and the Netherlands (5.8 percent). The large West German share is attributed to the popularity of almonds in bakery products, particularly marzipan, which has been expanded from a seasonal to a year-round confection.

In the longer term (1985-95), Spain's accession to the EC likely will seriously affect U.S. almond exports. Currently, almonds from all non-EC sources are subject to a 7-percent ad valorem duty under the CXT (bitter almonds, not a U.S. export to the EC, enter duty free). Spain's accession will give it

Table 20--Sweet almond and in-shell walnut imports by volume and supplier share, EC

Item	1974	1975	1976	1977	1978	1979
<u>Metric tons</u>						
Almonds	46,194	50,275	61,409	65,475	69,246	67,361
United States	21,566	27,267	31,617	30,770	36,866	37,848
Spain	12,673	15,897	19,143	15,823	15,341	14,719
Italy	1,926	2,474	6,549	11,622	8,823	5,403
Other	10,029	4,637	4,100	7,260	8,216	9,391
Walnuts	22,138	33,999	33,754	31,100	31,947	29,713
United States	8,640	18,152	19,821	20,891	18,917	19,819
France	6,019	4,099	5,006	2,325	4,014	3,228
China	4,038	7,368	6,011	4,154	5,538	3,736
Other	3,441	4,380	2,916	3,730	3,478	2,930
<u>Percent</u>						
Almonds 1/	100.0	100.0	100.0	100.0	100.0	100.0
United States	46.7	54.2	51.5	47.0	53.2	56.2
Spain	27.4	31.6	31.2	24.2	22.2	21.9
Italy	4.2	4.9	10.7	17.8	12.7	8.0
Other	21.7	9.2	6.7	11.1	11.9	13.9
Walnuts 1/	100.0	100.0	100.0	100.0	100.0	100.0
United States	39.0	53.4	58.7	67.2	59.2	66.7
France	27.2	12.1	14.8	7.5	12.6	10.9
China	18.2	21.7	17.8	13.4	17.3	12.6
Other	15.5	12.9	8.6	12.0	10.9	9.9

1/ Percentage totals may not add because of rounding.

Source: (3).

duty-free access. Spain also will be encouraged to increase its almond production by the EC's subsidy for exports of almonds to third countries (equal in 1980 to \$12.80 per 100 kilograms of shelled sweet almonds). The extent that Spain's competitive tariff advantage affects U.S. exports will depend largely on the extent that farmers are able to make long-term investments, and on the profitability of almonds compared to the other crops, particularly fruits and vegetables.

Portugal, although contributing only 2 percent of the EC's almond imports in 1979, is expanding both output and exports. It will have the same advantages as Spain upon acceding to the Community, and thus may achieve a somewhat larger supplier share. Greece, which acceded to the EC in 1981, is a moderate almond producer. Output there averaged 39,000 tons annually during 1977-79, about one-fourth that of Italy, but still averaged only 0.1 percent of the EC market during that period. In view of the low base from which it starts, the Greek supplier share on the EC market is unlikely to increase significantly during 1981-85, despite the advantages of membership.

Italy, though benefitting fully from the EC's system of common import duties and export subsidies, has declined in almond planting area and production in recent years. Despite efforts to stimulate new production through development appropriations, little substantial improvement is expected in the near future (18).

In view of the continual rise in EC almond demand and the limited supplies of major competitors such as Spain and Italy, the United States can expect to remain the principal supplier during the next 5 years, with a 50-percent or greater market share. The U.S. share could be seriously reduced after 1985, however, by competition from Spain, which will then enjoy preferential access.

Walnuts

Unshelled walnuts are the second largest U.S. tree nut export to the Community. In 1979, EC imports from the United States totaled 19,819 tons valued at \$33 million; this accounted for 16 percent of all EC tree nut imports from this country. The U.S. volume share of the EC market ranged between 53 and 67 percent during 1975-79 (table 20). Other suppliers are China with a 13-percent share in 1979, France with 11 percent, and Italy with 6 percent. West Germany, the principal buyer of U.S. unshelled walnuts, imported 60 percent of total EC purchases in 1979. The preponderant U.S. share exists despite an 8-percent duty on walnuts from outside the EC. None of the three accession countries shipped walnuts to the Community in 1979. In terms of quality and availability, the United States will likely retain over half of the EC market for walnuts during 1981-85.

Other Tree Nuts

The United States also has a significant share of the EC market for tree nuts other than almonds and unshelled walnuts. In 1979, 9.5 percent (by volume) of EC imports of shelled walnuts,

6 percent of pistachio nuts, 84 percent of pecans, and 24 percent of unshelled hazelnuts came from the United States. All these types together accounted for 4 percent (by value) of the Community's tree nut imports from the United States in 1979.

Fresh Citrus Fruit

EC imports of fresh citrus fruit from the United States were valued at an annual average of \$63.8 million during 1977-79. ^{12/} By value, 46.3 percent of all fresh imported U.S. citrus fruit were grapefruit, 25.6 were oranges, 23.1 percent lemons, and 5.0 percent tangerines, limes, and other citrus. The U.S. value share of the total EC citrus market is low, averaging only 6.3 percent during 1977-79. The U.S. share for oranges, in particular, is severely affected by EC tariff preferences granted Mediterranean suppliers.

Oranges

EC orange imports from the United States averaged 41,000 tons, valued at \$16.3 million annually during 1977-79. The volume of, imports from the United States dropped sharply after 1975 (table 21). By 1979, the U.S. share had fallen to only 1.0 percent, due to unusually short California crops during 1978 and 1979.

Spain was the principal supplier during 1974-79 and Israel the second largest supplier. South Africa and Morocco usually take about one-tenth of the market. All of these suppliers except South Africa benefit from generous EC tariff preferences.

Fresh oranges enter the EC under a multi-tiered system of tariffs rated according to time of entry and point of origin. The CXT for oranges ranges from a low of 4 percent during the summer season (May 16-October 15) to 20 percent during the winter when Northern Hemisphere oranges are in greatest supply (October 16-March 30). Oranges entering from preferential supplier countries receive large percentage reductions from the CXT. During the period when the CXT rate is 20 percent, oranges from preferential areas are subject to reduced tariffs: 12 percent (as of 1980) in Spain; 8 percent in Egypt, Jordan, Lebanon, Turkey, Israel, Cyprus, and Malta; and 4 percent in Algeria, Morocco, Tunisia, and the ACP countries. When the high 20-percent CXT is in effect, the differential rates given to preferred suppliers are so large that access is largely denied the United States and other nonpreferred suppliers.

U.S. oranges do have somewhat better access to the market during the summer season, when the CXT is at its low point. While this period enables more U.S. oranges to enter the EC than at other times, it does not coincide with the main U.S. crop season (table 21). U.S. shippers are therefore at a disadvantage

^{12/} This total is aggregated from EC official data, used throughout this section because of their greater specificity. The EC data total for annual average imports from the United States of citrus fruit (\$63.8 million) is considerably lower than the corresponding UN data (\$74.5 million), an unusual disparity between those two sources, perhaps due to differences in reporting of transshipments.

Table 21--Citrus fruit imports by volume and supplier share, EC

Item	1974	1975	1976	1977	1978	1979
	1,000 metric tons					
Oranges	2,120	2,129	2,050	2,027	2,003	1,936
United States	44	125	96	70	34	20
Israel	371	378	381	375	373	383
Morocco	250	171	153	176	248	198
Spain	858	928	909	801	786	833
South Africa	228	194	224	176	221	192
Other	369	333	287	429	341	310
Oranges, imported between:						
May 16-October 15	444	434	393	384	378	335
United States	33	106	82	60	28	16
Brazil	14	35	16	22	25	39
Israel	57	25	40	41	28	33
South Africa	81	177	150	128	150	153
Spain	120	15	34	33	35	28
Other	139	76	71	100	112	66
Grapefruit	361	402	441	430	473	451
United States	32	54	87	54	80	72
Cyprus	39	38	42	45	45	51
Israel	189	212	211	213	209	204
South Africa	37	40	39	32	40	40
Other	64	58	62	86	99	84
Lemons	297	305	332	317	333	329
United States	43	41	43	43	28	22
Cyprus	6	10	12	14	13	16
Italy	79	108	100	82	75	79
Spain	113	83	132	138	172	159
Other	56	63	45	40	45	53

Continued--

Table 21--Citrus fruit imports by volume and supplier share, EC--continued

Item	1974	1975	1976	1977	1978	1979
	<u>Percent</u>					
Oranges <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	2.1	5.9	4.7	3.5	1.7	1.0
Israel	17.5	17.8	18.6	18.5	18.6	19.8
Morocco	11.8	8.0	7.5	8.7	12.4	10.2
Spain	40.5	43.6	44.3	39.5	39.2	43.0
South Africa	10.8	9.1	10.9	8.7	11.0	9.9
Other	17.4	15.6	14.0	21.2	17.0	16.0
Oranges, imported between:						
May 16-October 15 <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	7.4	24.4	20.9	15.6	7.4	4.8
Brazil	3.2	8.1	4.1	5.7	6.6	11.6
Israel	12.8	5.8	10.2	10.7	7.4	9.9
South Africa	18.2	40.8	38.2	33.3	39.7	45.7
Spain	27.0	3.5	8.6	8.6	9.3	8.4
Other	31.3	17.5	18.1	26.0	29.6	19.7
Grapefruit <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	8.9	13.4	19.7	12.6	16.9	16.0
Cyprus	10.8	9.5	9.5	10.5	9.5	11.3
Israel	52.4	52.7	47.8	49.5	44.2	45.2
South Africa	10.2	10.0	8.8	7.4	8.5	8.9
Other	17.7	14.4	14.1	20.0	20.9	18.6
Lemons <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	14.5	13.4	13.0	13.6	8.4	6.7
Cyprus	2.0	3.3	3.6	4.4	3.9	4.9
Italy	26.6	35.4	30.1	25.9	22.5	24.0
Spain	38.0	27.2	39.8	43.5	51.7	48.3
Other	18.9	20.7	13.6	12.6	13.5	16.1

1/ Percentage totals may not add because of rounding.

Source: (3).

vis-a-vis Southern Hemisphere producers, particularly South Africa, whose main crop season coincides with the low-rate CXT period.

The accession of Spain will have little direct impact on the U.S. share during the summer period. Spanish oranges, subject during that period to a preferential rate of 2.4 percent will gain duty-free status on accession, a relatively small increase in the tariff differential. But Spain will obtain substantially larger tariff advantages during other seasons and receive other, nontariff advantages; thus, its accession should negatively affect the already low U.S. share. The U.S. market share will likely remain low unless nondiscriminatory tariff treatment is obtained.

Lemons

EC lemon imports from the United States averaged 31,000 tons, valued at \$14.8 million annually during 1977-79. The U.S. volume share of the market averaged 9.6 percent during the period, down from 13.6 percent during 1974-76 (table 21). The decline in U.S. sales and volume shares was particularly marked during 1978 and 1979 when the U.S. crops were relatively short.

The role of tariff preferences in the rapid U.S. decline during 1978-79 is difficult to assess. U.S. lemon imports are subject to a CXT rate of 8 percent. As of 1980, lemons coming into the EC from the major Mediterranean suppliers--Spain, Israel, and Cyprus--were subject to a 4.8-percent rate, from Turkey to a 4-percent rate, and from Greece to zero duty. With the exception of Spain, the EC's scheme of tariff preferences has little benefitted its preferred suppliers. Greece's and Turkey's shares declined between 1974-76 and 1977-79. Cyprus, another beneficiary, did achieve a small share increase from 3.0 (1974-76) to 4.4 percent (1977-79). Italy's volume share also declined over this period, despite its duty-free access to other EC member states. Spain's share increased between the two periods, despite the 4.8-percent tariff, an increase which can be attributed mainly to supply availabilities.

When Spain accedes to the Community, its lemons will enjoy duty-free access, giving them a full 8-percent tariff advantage over U.S. lemons. Thus, it is highly probable that Spain will gain at the expense of the U.S. share, provided it can meet EC demand. While the United States should retain a 5- to 10-percent share during 1981-85, full Spanish accession could reduce the U.S. share unless concessions are obtained.

Grapefruit

Grapefruit rapidly increased in popularity among Europeans during the seventies, and is the most promising U.S. fresh citrus export to the EC. Total EC imports of fresh grapefruit increased 25 percent during 1974-79. U.S. shippers have taken advantage of this trend by encouraging interest in U.S. varieties. In 1979, the EC imported 72,000 tons of grapefruit from the United States, valued at \$39 million, for an 18.8-percent market value share and a 16.0-percent volume

share. The United States ranked second to Israel as a grapefruit supplier to the Community during 1975-79, with Cyprus and South Africa the only other consistently large suppliers.

Israel's share declined during 1974-79, while the U.S. share increased.

Although grapefruit entering the Community from Mediterranean and developing countries receives preferential advantages, it appears probable that the high quality of U.S. grapefruit can substantially offset these preferences. The basic CXT on grapefruit in 1981 was 3.6 percent and is scheduled to be reduced in stages to 3.0 percent by 1988 under terms negotiated in the multinational trade negotiations. Because of EC preferences, grapefruit originating in Egypt, Jordan, Lebanon, Algeria, Morocco, Tunisia, Israel, Cyprus, and Turkey is subject to duties of less than 1 percent and the ACP countries to no duty.

Spain's accession does not pose a serious competitive threat to the United States. Spain is not a major producer (it averaged only 1 percent of the EC import market during 1977-79), and receives no preferential advantage, but membership in the EC, conferring duty-free entry, will give it a tariff advantage over U.S. grapefruit.

Other Citrus Fruit

A small but promising market exists for specialty citrus items. In 1979, EC imports of U.S. tangerines reached 2,483 tons, valued at \$1.8 million, representing one-fourth of the market by volume. The United States was the principal supplier of "unspecified citrus hybrids," including limes as well as other types of citrus. The EC imported 4,150 tons from the United States, valued at \$3.2 million in 1979, representing a 38-percent volume share of the market.

Citrus Fruit Juices

The U.S. volume share of the Community market for citrus fruit juices (fresh, frozen, and canned) was stable during 1974-79 despite intense competition from other suppliers (table 22). If all citrus juice is considered as a group, the U.S. share increased marginally from an annual average of 9.1 percent during 1974-76 to 9.3 percent during 1977-79.

The Community's imports of all citrus juices from the United States totaled \$32 million in 1979. Of the total, 69 percent by value was orange juice, 22 percent grapefruit juice, and the remainder lemon and other citrus juices.

Although the U.S. volume share of the EC citrus juice market was stable during 1974-79, the long-term effect of EC preferential tariff access for both Mediterranean producers and the ACP countries could prove injurious to U.S. exports. When Spain accedes to the Community, it may develop a citrus juice production and exporting capacity, particularly if EC processing subsidies are made available.

Brazil, whose output and export of orange and lemon juice increased sharply during 1974-79, does not receive EC preferential advantages, but is nonetheless the largest current supplier. If it continues to expand its production, it is likely to capture the growth of the EC orange and lemon juice markets over the long term, with the U.S. share declining.

Orange Juice

The CXT on orange juice entering the EC is 19 percent, subject to an additional levy if the sugar content exceeds specified levels; this extra levy is not applied preferentially. EC imports of orange juice from the United States during 1977-79 averaged 29,391 tons, product weight, valued at \$21.7 million annually. Over two-thirds consisted of frozen concentrate. The U.S. volume share during 1974-79 was relatively stable, fluctuating between 7 to 10 percent (table 22). The annual 1977-79 average, 8.5 percent, was slightly below the 1974-76 average of 8.8 percent.

Brazil, though it receives no preferential tariff advantage, was principal supplier with a 29.4-percent volume share during 1977-79. Of the major suppliers, only Brazil increased its share during 1974-79. Israel, with a preferential rate of 5.7 percent (as of 1980), had a 22.0-percent average volume share during 1977-79.

Grapefruit Juice

EC grapefruit juice imports carry a CXT of 15 percent, to which a nonpreferential levy is added if the sugar content exceeds a specified level. Community imports of U.S. grapefruit juice averaged 7,190 tons, valued at \$8.4 million annually, during 1977-79. The U.S. volume share averaged 13.3 percent during that period, an increase over the 12.0 percent level of 1974-76. About four-fifths of these EC imports were in frozen concentrate form.

Israel dominated the market with an average 56.2-percent volume share during 1977-79. The United States, with 13.3 percent, was second. The relatively strong U.S. position is maintained despite major tariff preferences granted to most other suppliers, mainly because of consumer preferences. Grapefruit juice entering the EC from Israel and most other Mediterranean countries in 1980 was subject to a duty of only 4.5 percent, while that from the ACP countries entered duty-free.

Lemon and Other Citrus Juices

Community imports of lemon and other unspecified citrus juices during 1977-79 averaged 3,107 tons, valued at \$2.5 million annually. The U.S. volume share of the EC market was 10.7 percent during 1977-79, substantially up from 6.3 percent during 1974-76. The top ranking supplier is Italy, whose average share was 25.2 percent in 1977-79, followed by Brazil with 14.2 percent, and the United States. U.S. exports, subject to the CXT of 18 percent, are at a severe competitive disadvantage against Italy, with its duty-free access to the market.

Table 22--Citrus fruit juice imports by volume and supplier share, EC

Item	1974	1975	1976	1977	1978	1979
	<u>Metric tons</u>					
Orange juice	289,485	328,908	367,828	357,964	308,189	370,871
United States	23,185	26,323	37,744	37,016	24,770	26,388
Brazil	49,182	80,140	93,826	99,512	84,414	122,687
Israel	83,485	72,372	72,398	69,880	75,386	82,118
Other	133,633	150,073	163,860	151,556	123,619	139,678
Grapefruit juice	62,142	49,785	55,454	52,030	49,562	60,478
United States	5,212	6,371	8,252	6,359	6,895	8,315
Israel	36,410	29,142	31,850	29,471	26,930	34,827
Other	20,520	14,272	15,352	16,200	15,737	17,336
Lemon and other	30,041	30,392	31,109	28,123	28,984	30,354
United States	2,031	1,378	2,334	3,491	2,890	2,941
Argentina	2,184	1,308	1,633	2,304	3,245	4,308
Brazil	1,004	2,958	3,995	2,587	4,622	5,335
Italy	9,892	7,702	7,947	8,143	6,861	6,936
Other	14,930	17,046	15,200	11,598	11,366	10,834
	<u>Percent</u>					
Orange juice <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	8.0	8.0	10.3	10.3	8.0	7.1
Brazil	17.0	24.4	25.5	27.8	27.4	33.1
Israel	28.8	22.0	19.7	19.5	24.5	22.1
Other	46.2	45.6	44.5	42.3	40.1	37.7
Grapefruit juice <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	8.4	12.8	14.9	12.2	13.9	13.7
Israel	58.6	58.5	57.4	56.6	54.3	57.6
Other	33.0	28.7	27.7	31.1	31.8	28.7
Lemon and other <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	6.8	4.5	7.5	12.4	10.0	9.7
Argentina	7.3	4.3	5.2	8.2	11.2	14.2
Brazil	3.3	9.7	12.8	9.2	15.9	17.6
Italy	32.9	25.3	25.5	29.0	23.7	22.9
Other	49.7	56.1	48.9	41.2	39.2	35.7

1/ Percentage totals may not add because of rounding.

Source: (3).

Dried Fruit

EC imports of dried fruit from the United States averaged \$56.8 million during 1977-79. Prunes accounted for approximately 60 percent of the total, and raisins for almost one-third. Dates, dried apples, pears, apricots, peaches, and fruit mixtures accounted for the balance.

Prunes

The United States is the predominant supplier of prunes on the EC import market. Of total EC purchases averaging \$45.3 million annually during 1977-79, the United States supplied \$32.7 million. The EC imported an average of 25,000 tons annually from the United States during that period, averaging 65.3 percent of the market (table 23). Other long-term prune suppliers during 1977-79 were Romania with 7.7 percent, France with 6.8 percent, and Yugoslavia with 4.2 percent of the market.

The level of prune production in France is a supply factor that has some bearing on the U.S market share. When France has a short crop, U.S. sales increase not only to France but to countries such as Italy that import from France. Italy has experienced a fall in prune production in recent years. Orchards are less productive because of age, and have declined in area because of urban encroachment. The resulting decline in output has meant a sharp increase of imports from the United States.

The main EC importers of prunes from all sources during 1977-79 were Italy with 24.2 percent, France with 20.4 percent, West Germany with 19.6 percent, and the United Kingdom with 16.1 percent of the average annual imports.

Both France and Italy enjoy a major competitive advantage as EC members, since all external suppliers (except the ACP countries, which currently do not ship prunes to the EC) pay a 12-percent duty. Despite this competitive advantage, neither France nor Italy has the resources to supply more than a small share of EC market demand. The U.S. share can be expected to remain within the 60- to 70-percent range during 1981-85.

Raisins

EC imports of U.S. raisins during 1977-79 averaged 9,312 tons, valued at \$17.2 million annually. The U.S. volume share of 4.2 percent during that period was well below its 1974-76 share of 7.1 percent (table 23). The decline was due in part to a series of crop disasters in the United States in 1972, 1974, 1976, and 1978; the resultant lowering of stocks; and reduced export supplies. EC imports from the United States are subject to a tariff of 3.6 percent.

Greece and Turkey are the predominant suppliers. The Greek share averaged 38.2 percent by volume, and the Turkish share 31.8 percent during 1977-79. Minor suppliers include Iran, Australia, and Afghanistan.

Greece's position on the market will be appreciably strengthened as a result of its accession to the EC in 1981.

Table 23--Prune and raisin imports by volume and supplier share, EC

Item	1974	1975	1976	1977	1978	1979
<u>Metric tons</u>						
Prunes	25,902	37,585	38,581	40,134	40,071	34,700
United States	19,663	29,329	26,253	26,106	25,948	22,960
France	687	1,171	943	2,787	1,787	3,126
Romania	2,342	2,097	1,774	2,018	4,284	2,602
Yugoslavia	240	1,041	477	2,323	1,433	1,062
Other	2,970	3,947	9,134	6,900	6,619	4,950
Raisins	190,351	199,164	231,422	222,841	218,298	214,502
United States	14,054	13,716	16,494	9,445	9,414	9,077
Greece	81,126	77,569	82,289	82,455	85,712	81,870
Turkey	54,379	60,820	80,939	79,462	69,830	59,404
Iran	22,138	17,180	16,706	18,924	9,082	25,517
Afghanistan	6,713	4,662	6,402	14,010	13,377	11,265
South Africa	0	2,721	1,587	1,696	5,310	8,084
Australia	9,559	20,136	24,487	11,898	20,949	14,374
Other	2,382	2,360	2,518	4,951	4,624	4,911
<u>Percent</u>						
Prunes ^{1/}	100.0	100.0	100.0	100.0	100.0	100.0
United States	75.9	78.0	68.0	65.0	64.8	66.2
France	2.7	3.1	2.4	6.9	4.5	9.0
Romania	9.0	5.6	4.6	5.0	10.7	7.5
Yugoslavia	.9	2.8	1.2	5.8	3.6	3.1
Other	11.5	10.5	23.7	17.2	16.5	14.3
Raisins ^{1/}	100.0	100.0	100.0	100.0	100.0	100.0
United States	7.4	6.9	7.1	4.2	4.3	4.2
Greece	42.6	38.9	35.6	37.0	39.3	38.2
Turkey	28.6	30.5	35.0	35.7	32.0	27.7
Iran	11.6	8.6	7.2	8.5	4.2	11.9
Afghanistan	3.5	2.3	2.8	6.3	6.1	5.3
South Africa	0	1.4	.7	.8	2.4	3.8
Australia	5.0	10.1	10.6	5.3	9.6	6.7
Other	1.3	1.2	1.1	2.2	2.1	2.3

^{1/} Percentage totals may not add because of rounding.

Source: (3).

It will benefit primarily from EC incentives to support raising production through processing subsidies.

Dried Leguminous Vegetables

EC imports of dried beans, peas, lentils, and other legumes averaged 815,260 tons, valued at \$350 million, during 1977-79 (table 24). Imports from the United States during the period averaged 135,583 tons, valued at \$69 million. The United States, the largest supplier, had an average volume share of 14.0 percent during 1967-69, which rose to 16.6 percent a decade later. In 1979, U.S. sales reached \$80 million. Other major suppliers include Argentina with 12.4 percent of the volume during 1977-79, the United Kingdom with 11.2 percent, France with 10.8 percent, and Canada with 7.4 percent.

The EC countries as a group supplied 31.0 percent of their own dried leguminous vegetable imports during 1977-79, a big increase from a decade earlier. A tremendous rise in intra-EC imports of dried broad beans and field peas from the United Kingdom boosted the EC supplier share. These legumes, unlike those obtained from the United States, are used principally as high-protein animal feed ingredients.

Dried beans in 1979 accounted for three-fourths of U.S. dried leguminous vegetable sales in the EC, followed by peas (18.7 percent), lentils (4.1 percent), and other legumes (2.2 percent). The United Kingdom bought 54 percent of EC imports of dried beans from the United States in 1979 and 58 percent of EC dried pea imports. Dried beans and peas from the United States are used primarily for further processing into baked beans and soups.

The EC provides tariff preferences for imports of these commodities from several Mediterranean and developing countries. Spain and Portugal pay half the CXT rates; Egypt, Jordan, Syria, and Lebanon pay one-fifth the rates; Algeria, Morocco, Tunisia, Turkey, and the ACP countries pay no duty. The base CXT rate, applied to imports from the United States, is low: 3.9 percent for beans and peas, 2 percent for lentils, and 5 percent for broad beans and other legumes (as of 1981). Because of its strong supplier position and its established channels of trade, especially with the United Kingdom, the United States is likely to maintain a share of 13 to 17 percent during 1981-85.

VEGETABLE OILS

Community vegetable oil imports from all sources averaged \$2.2 billion annually in 1977-79 ^{13/}. The United States supplied only \$38 million, or an average 1.8 percent of the market (table 25).

Soybean Oil

Soybean oil during 1977-79 accounted for 12 percent by value of total EC vegetable oil imports. Soybean oil imports are

^{13/} Vegetable oils considered in this chapter fall within SITC 42, "Fixed vegetable oils and fats." Oils which have been further processed (for example, hydrogenated) fall within SITC 43 and are not considered here.

Table 24--Dried leguminous vegetable imports by volume and supplier share, EC

Item	1974	1975	1976	1977	1978	1979
	<u>Metric tons</u>					
Dried leguminous						
vegetables <u>1/</u>	649,553	648,130	698,757	753,808	771,174	920,795
United States	98,398	109,424	99,158	100,514	152,649	153,585
Argentina	28,087	45,278	83,335	97,560	117,656	82,532
Canada	40,151	65,006	74,841	65,995	34,748	81,873
Morocco	72,970	67,898	99,268	55,869	39,014	38,968
Turkey	32,999	16,970	17,794	33,590	28,145	47,844
EC	167,639	146,132	136,310	187,846	260,485	316,171
France	34,831	49,110	49,136	65,772	70,312	134,511
United Kingdom	59,828	39,106	20,389	49,040	120,855	105,609
Other	209,309	197,422	187,751	212,434	138,477	199,822
Dried beans <u>2/</u>	204,758	250,047	290,609	275,541	282,796	311,427
United States	58,630	73,997	72,027	74,791	127,279	108,121
Argentina	27,552	39,190	63,246	49,600	57,129	66,449
Canada	29,552	53,747	66,662	54,690	22,828	43,288
Ethiopia	31,296	37,881	31,913	22,259	12,184	15,624
Other	57,728	45,232	56,761	74,201	63,376	77,945
Dried peas <u>2/</u>	168,362	180,532	192,679	234,134	242,583	311,364
United States	16,666	18,365	13,116	8,916	6,997	17,444
France	25,093	38,483	40,329	55,968	58,094	119,769
Netherlands	16,261	14,681	20,955	27,888	22,985	25,967
United Kingdom	14,282	12,088	9,935	20,442	46,513	34,350
Canada	4,777	5,422	5,518	7,789	7,226	29,942
Other	91,283	91,493	102,826	113,131	100,768	83,892
Dried lentils <u>2/</u>	65,652	63,903	68,565	84,095	76,946	85,914
United States	8,208	12,934	5,848	3,263	7,036	6,216
Turkey	11,107	6,114	11,769	19,435	18,425	27,022
Argentina	0	5,906	14,188	18,794	24,328	11,427
Other	46,337	38,949	36,760	42,603	27,157	41,249
Dried broad beans, field peas <u>3/</u>	96,136	63,569	66,778	74,049	89,149	116,391
EC	43,989	25,161	7,509	25,300	62,851	63,715
United Kingdom	40,854	18,463	4,292	22,075	58,375	50,313
Morocco	27,196	21,829	26,781	19,931	18,915	15,500
Other	27,951	16,579	32,488	28,818	7,383	37,176

See footnotes at end of table.

Continued--

Table 24--Dried leguminous vegetable imports by volume
and supplier share, EC--continued

Item	1974	1975	1976	1977	1978	1979
	<u>Percent</u>					
Dried leguminous vegetables <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	15.2	16.9	14.2	13.3	19.8	16.7
Argentina	4.3	7.0	11.9	12.9	15.3	9.0
Canada	6.2	10.0	10.7	8.8	4.5	8.9
Morocco	11.2	10.5	14.2	7.4	5.1	4.2
Turkey	5.1	2.6	2.6	4.5	3.6	5.2
EC	25.8	22.6	19.5	24.9	33.8	34.3
France	5.4	7.6	7.0	8.7	9.1	14.6
United Kingdom	9.2	6.0	2.9	6.5	15.7	11.5
Other	32.2	30.5	26.9	28.2	18.0	21.7
Dried beans <u>2/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	28.6	29.6	24.8	27.1	45.0	34.7
Argentina	13.5	15.7	21.8	18.0	20.2	21.3
Canada	14.4	21.5	22.9	19.9	8.1	13.9
Ethiopia	15.3	15.1	11.0	8.1	4.3	5.0
Other	28.2	18.1	19.5	26.9	22.4	25.0
Dried peas <u>2/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	9.9	10.2	6.8	3.8	2.9	5.6
France	14.9	21.3	20.9	23.9	23.9	38.5
Netherlands	9.7	8.1	10.9	11.9	9.5	8.3
United Kingdom	8.5	6.7	5.2	8.7	19.2	11.0
Canada	2.8	3.0	2.9	3.3	3.0	9.6
Other	54.2	50.7	53.4	48.3	41.5	26.9
Dried lentils <u>2/</u>	100.0	100.0	100.0	100.0	100.0	100.0
United States	12.5	20.2	8.5	3.9	9.1	7.2
Turkey	16.9	9.6	17.2	23.1	23.9	31.5
Argentina	0	9.2	20.7	22.3	31.6	13.3
Other	70.6	61.0	53.6	50.7	35.3	48.0
Dried broad beans, field peas <u>3/</u>	100.0	100.0	100.0	100.0	100.0	100.0
EC	45.8	39.6	11.2	34.2	70.5	54.7
United Kingdom	42.5	29.0	6.4	29.8	65.5	43.2
Morocco	28.3	34.3	40.1	26.9	21.2	13.3
Other	26.0	26.1	48.7	38.9	8.3	31.9

1/ Dried leguminous vegetable totals include unspecified trade items in addition to dried beans, dried peas, dried lentils, and dried broad beans and field peas.

2/ Data do not include imports of these items intended for use as seed.

3/ Dried broad beans and field peas are used for animal feed and are a separate item from dried beans and dried peas shown elsewhere in the table.

Sources: (3, 10).

overwhelmingly intra-EC traded, and are supplied by the EC's own crushing mills. Imports in 1977-79 averaged 417,000 tons, valued at \$270 million. Imports from EC suppliers accounted for 94 percent of the total by volume, with the Netherlands, Belgium, and West Germany the major suppliers. The largest non-EC supplier, Spain, shipped an average of 9,700 tons a year during 1977-79 (a 2.3-percent share), while the United States shipped 6,782 tons (1.6 percent). U.S. soybean oil exports to the EC are subject to a CXT of 10 to 15 percent ad valorem, depending on the extent of processing.

The huge intra-EC share attests to the rapid expansion of the EC's soybean crushing industry, which produces both meal and oil. EC crushers are, in fact, producing large surpluses of oil, which are normally exported. The United States is the principal supplier of the soybeans from which the oil is produced. During 1977-79, the EC exported an annual average of 347,118 tons of oil, valued at \$239 million, to non-EC destinations. EC soybean oil exports are widely distributed, the largest customers including Sweden, Nigeria, India, Angola, Austria, and Turkey.

Sunflower Oil

Sunflower oil during 1977-79 accounted for 8.4 percent by value of total EC vegetable oil imports. EC imports averaged 253,000 tons, worth \$185 million annually during that period. Like soybean oil, sunflower oil is primarily supplied by the EC's own crushing mills. During 1977-79, imports from EC suppliers accounted for 56.5 percent by volume. Other major suppliers were Romania with 14.3 percent, Argentina with 12.3 percent, and the Soviet Union with 11.2 percent. The U.S. share was 1.2 percent.

The rapid expansion of West Germany's sunflowerseed crushing capacity in the late seventies dramatically changed the extent that the EC supplies its own needs. ^{14/} West Germany's contribution to total EC sunflower oil imports increased from 11.8 percent in 1976 to 41.4 percent in 1979. The volume share obtained by all EC suppliers rose accordingly from 37.8 to 70.7 percent in 1979. The U.S. share, in contrast, dropped from 4.0 percent to only 1.1 percent during that 4-year period. The rapid growth of EC oil production also reduced the market shares of the Soviet Union, Romania, and Argentina.

Sunflower oil is subject to a CXT of 5 to 15 percent, depending on grade and intended use. This provides a major competitive advantage to West German and other EC suppliers.

Peanut Oil

Peanut oil accounted for almost 16 percent of EC vegetable oil imports during 1977-79. The Community imported an annual average of 341,420 tons valued at \$351 million during that period. The United States is a minor supplier, its share ranging from virtually 0 in certain years to as high as 6 percent in others. During 1967-69, the U.S. share averaged

^{14/} See the chapter in this report on oilseeds and oilseed meals.

Table 25--Vegetable oil imports by value and value supplier share, EC 1/

Origin	1967	1968	1969	1970	1971	1972	1973
Million dollars							
Total 2/	487	486	558	717	899	856	1,241
United States	5	9	15	28	34	30	35
EC	62	84	111	150	218	233	337
Latin America	53	54	64	89	94	74	148
Asia	83	82	78	93	135	128	245
Africa	153	140	149	177	166	244	263
Eastern Europe	60	58	60	62	80	76	80
Other 3/	71	59	81	118	172	71	133
Percent							
Total 2/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	1.0	1.9	2.7	3.9	3.8	3.5	2.8
EC	12.7	17.3	19.9	20.9	24.2	27.2	27.2
Latin America	10.9	11.1	11.5	12.4	10.5	8.6	11.9
Asia	17.0	16.9	14.0	13.0	15.0	15.0	19.7
Africa	31.4	28.8	26.7	24.7	18.5	28.5	21.2
Eastern Europe	12.3	11.9	10.8	8.6	8.9	8.9	6.4
Other 3/	14.6	12.1	14.5	16.5	19.1	8.3	10.7
	1974	1975	1976	1977	1978	1979	
Million dollars							
Total	2,350	1,722	1,449	1,869	2,031	2,731	
United States	55	37	28	34	38	43	
EC	740	636	531	630	743	980	
Latin America	231	71	109	174	206	253	
Asia	368	384	316	410	482	741	
Africa	528	415	309	412	332	439	
Eastern Europe	204	139	69	75	51	43	
Other 3/	224	40	87	134	179	232	
Percent							
Total 2/	100.0	100.0	100.0	100.0	100.0	100.0	
United States	2.3	2.1	1.9	1.8	1.9	1.6	
EC	31.5	36.9	36.6	33.7	36.6	35.9	
Latin America	9.8	4.1	7.5	9.3	10.1	9.3	
Asia	15.7	22.3	21.8	21.9	23.7	27.1	
Africa	22.5	24.1	21.3	22.0	16.3	16.1	
Eastern Europe	8.7	8.1	4.8	4.0	2.5	1.6	
Other 3/	9.5	2.3	6.0	7.2	8.8	8.5	

1/ SITC 42, includes vegetable oils fixed but not further processed.

2/ Percentage totals may not add because of rounding.

3/ Principally Spain and Oceania.

Source: (10).

only 2.1 percent, slightly above the 1977-79 average of 1.9 percent. Senegal, an ACP country with duty-free access, is currently the dominant supplier, averaging a 38-percent share in 1977-79. Other ACP suppliers include Gambia, Sudan, and Mali. Non-ACP suppliers, including Argentina, Brazil, and the United States, are charged the full CXT of 5 to 15 percent, depending on grade and intended use. Fourteen percent of EC peanut oil imports are supplied by crushers in the EC itself.

Corn Oil

Corn oil is the most rapidly growing EC oil import from the United States. It accounts for 3.2 percent of EC oil imports from all sources, and is expanding in popularity as a household cooking oil. Total EC corn oil imports (in retail containers for food use) more than doubled from \$49 million in 1977 to \$102 million in 1979. U.S. sales increased from \$4.6 to \$19.5 million during the 3-year period and the U.S. volume share rose from 10.4 to 21.0 percent, equal to France's share. Other major suppliers are the Netherlands with 14.8 percent of the market in 1979, Belgium-Luxembourg with 13.1 percent, and South Africa with 12.1 percent. The United States faces a CXT rate of 15 percent. The main buyers of U.S. corn oil in 1977-79 were Italy with 45.4 percent of the total, the Netherlands with 34.9 percent, and Belgium-Luxembourg with 16.6 percent.

Linseed Oil

Total EC imports of linseed oil during 1977-79 averaged 110,000 tons, valued at \$55 million annually, a 28-percent decline from the 1967-69 average of 153,540 tons. Use of linseed oil has decreased generally in the industrial countries because of changes in paint manufacture. The U.S. volume share of the EC market also dropped from an average of 11.4 percent in 1967-69 to only 2.0 percent a decade later. The trend in the United States has been towards smaller planting areas and decreasing availabilities of flaxseed (5). Argentina, the leading supplier to the EC, supplied 55.5 percent of the EC market in 1977-79, up slightly from 1967-69. The EC's own suppliers enjoyed a 38.2-percent share of the market during 1977-79.

Cottonseed Oil

Cottonseed oil imports by the EC averaged 13,500 tons, valued at \$9.5 million annually during 1977-79, a substantial decline from 1967-69, when EC imports averaged 32,842 tons. Cottonseed oil represents less than 1 percent by value of total EC vegetable oil imports. The United States has been the leading supplier since 1969. Its volume share shrank, however, from 65.1 percent during 1969-71 to 36.4 percent during 1977-79. The declining level of EC total imports, combined with the decreasing U.S. share, resulted in U.S. sales falling from an average of 41,870 tons per year during 1969-71 to only 4,924 tons, valued at \$3.3 million annually during 1977-79.

Palm and Coconut Oils

All of the vegetable oils considered thus far are produced in the United States and are available for export, even though the U.S. market shares, except for corn and cottonseed oil, are very low in the EC market. Besides those oils, about half

the EC-imported oils are not produced in the United States at all or only in limited quantities. Palm oil was the predominant EC vegetable oil import in 1977-79, accounting for one-fifth of the total. Palm kernel and coconut oils together accounted for 15 percent. For some uses, these oils compete directly with U.S. vegetable oil exports as substitutes (for example, palm oil may be substituted for soybean oil for some purposes).

Other Vegetable Oils Other vegetable oils which play a role in total EC imports, but which are not available on a major scale in the United States, are olive oil and rapeseed oil.

Olive oil from the major EC suppliers enters either duty free (Greece and Italy) or qualifies for Mediterranean country preferential treatment (Tunisia and Spain). Olive oil accounted for 9.3 percent of total EC vegetable oil imports during 1977-79. Olive oil is the only vegetable oil which enters the EC under the import levy system. Greece's accession to the Community, by freeing its olive oil from EC levies, is likely to increase its supplies on the EC market. Depending on relative prices, the additional olive oil may prove competitive to substitutable U.S.-origin vegetable oils (such as soybean oil). This could further reduce the already-small U.S. supplier share of the EC vegetable oil market.

Rapeseed oil is supplied mainly by EC producers, particularly France, and accounted during 1977-79 for 3.4 percent of total oil imports annually. It is increasingly used as a component of margarine. Its use has been facilitated by the recent development of rapeseed varieties which are free of erucic acid, considered undesirable for human consumption. Rapeseed oil may prove competitive to U.S. vegetable oil exports for which it can be substituted. It is not produced commercially in the United States.

The expanding availability of domestically produced olive and rapeseed oils in the EC can be expected to increase the EC's vegetable oil self-sufficiency, reducing demand for oils from the United States and other external suppliers.

ANIMAL PRODUCTS

The Community's imports of animal products averaged \$20 billion annually during 1977-79, almost one-quarter of all EC agricultural imports ^{15/}. Intra-EC trade accounts for a majority of EC animal product imports. During 1977-79, 72.2 percent of the EC's animal product imports came from its own members. ^{16/} U.S. shipments into the EC during that period

^{15/} Animal products include live animals (SITC 00); meat and meat preparations (01); dairy products and eggs (02); meat and fish meal (081.4); hides, skins, and furskins, undressed (21); and animal oils and fats (41).

^{16/} Market shares throughout this chapter are based on the dollar values of commodities traded rather than on quantities, unless otherwise indicated. Value shares are used because of the wide diversity within and between commodity groups.

averaged \$771 million a year, representing 3.8 percent of the market. If intra-EC trade is excluded, the U.S. share came to over 13 percent.

EC imports of animal products from the United States and other external suppliers are largely limited to commodities which are not subject to variable levies. For example, EC imports of beef and veal, pork, poultry, lard, and poultry fat, are subject to variable levies and are imported on a very small scale. The levies on those items, supplemented in the case of beef and veal by high tariffs, bring EC import market prices to levels which cannot compete with domestic produce. In contrast, the EC's imports of horsemeat, most animal offals, inedible tallow, and hides and skins are not subject to variable levies, have zero or relatively low tariffs, and are imported on a substantial scale.

The low 3.8-percent U.S. supplier share of the overall EC animal products market fails to reflect big differences in U.S. performance among subgroups. The U.S. share of the EC market for dairy products and eggs averaged only 0.6 percent during 1977-79, reflecting the chronic surplus among the EC's own suppliers. But the United States obtained 24.5 percent of the EC animal oils and fats market and 10.7 percent of the hides, skins, and furskins market.

Another fact not apparent in the small overall U.S. share is the presence of some interesting export opportunities within subgroups where the U.S. market share is small. For example, the U.S. share for meats and meat preparations averaged only 3.4 percent in 1977-79. Within that group, however, the United States was the leading supplier of fresh horsemeat (44.0 percent of the market) and edible offals (32.0 percent).

The EC's imports of U.S. animal products in 1977-79 were equal in value to almost one-tenth of total agricultural imports from this country, reflecting the high unit costs of many animal products.

The largest group of EC animal product imports from the United States is meat and meat preparations; followed by hides, skins, and furskins, undressed; and animal oils and fats. Those three large groups account for nine-tenths of EC animal product imports from the United States.

Meats and Meat Preparations

Almost 40 percent of U.S. animal product shipments to the EC consists of meat and meat preparations. During 1977-79, EC purchases from the United States averaged \$297 million annually, representing a 3.4-percent share of the market, compared with a 3.0 percent a decade earlier (table 26).

While the small U.S. share has remained consistent, the share of the market held by the EC's own suppliers has changed substantially, from an average of 54.8 percent during 1967-69 to 75.0 percent a decade later. This trend reflects in part a rise in the EC's overall meat self-sufficiency (excluding

Table 26--Selected meat imports by value and supplier share, EC

SITC code	Commodity and origin	1967	1968	1969	1970	1971	1972	1973
		Million dollars						
01	Meat and meat preparations 1/	2,146.6	2,140.9	2,471.0	2,722.9	3,050.2	4,122.4	5,209.3
	United States	71.6	64.4	69.7	75.4	82.0	108.5	168.7
	Argentina	266.0	176.4	266.6	288.4	258.0	502.3	634.9
	New Zealand	206.3	208.1	242.4	234.7	254.8	NA	369.6
	Eastern Europe	290.6	263.7	277.0	264.6	296.7	369.2	576.5
	Intra-EC	1,108.3	1,228.9	1,368.9	1,574.6	1,793.0	2,261.9	3,345.4
0115	Horsemeat, fresh 1/	32.6	30.7	31.8	42.9	50.7	79.0	128.5
	United States	.2	.2	0	.3	.7	4.3	25.9
	Canada	1.1	.8	.9	1.2	1.6	5.8	17.2
	Latin America	21.1	19.6	22.9	28.5	30.9	42.7	53.2
	Eastern Europe	2.0	2.7	2.9	6.2	8.3	9.0	9.8
	Intra-EC	6.3	5.6	4.1	4.8	5.6	6.5	10.0
0116	Edible offals 1/	137.0	129.2	157.6	175.1	166.5	218.9	325.1
	United States	47.7	46.8	53.8	58.4	60.0	79.9	107.3
	Canada	5.3	5.3	5.2	6.7	5.5	7.4	11.7
	Latin America	17.0	14.2	22.9	22.8	16.2	27.8	40.6
	Australia-New Zealand	29.8	29.8	35.4	44.8	42.2	48.5	75.3
	Intra-EC	32.0	27.8	34.3	36.4	36.9	46.0	74.7
		Percent						
01	Meat and meat preparations 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	United States	3.3	3.0	2.8	2.8	2.7	2.6	3.2
	Argentina	12.4	8.2	10.8	10.6	8.5	12.2	12.2
	New Zealand	9.6	9.7	9.8	8.6	8.4	NA	7.1
	Eastern Europe	13.5	12.3	11.2	9.7	9.7	9.0	11.1
	Intra-EC	51.6	57.4	55.4	57.8	58.8	54.9	64.2
0115	Horsemeat, fresh 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	United States	0.6	.7	.0	.7	1.4	5.4	20.2
	Canada	3.4	2.6	2.8	2.8	3.2	7.3	13.4
	Latin America	64.7	63.8	72.0	66.4	61.0	54.1	41.4
	Eastern Europe	6.1	8.8	9.1	14.5	16.4	11.4	7.6
	Intra-EC	19.3	18.2	12.9	11.2	11.1	8.2	7.8
0116	Edible offals 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	United States	34.8	36.2	34.1	33.4	36.0	36.5	33.0
	Canada	3.9	4.1	3.3	3.8	3.3	3.4	3.6
	Latin America	12.4	11.0	14.5	13.0	9.7	12.7	12.5
	Australia-New Zealand	21.8	23.1	22.5	25.6	25.4	22.2	23.2
	Intra-EC	23.4	21.5	21.8	20.8	22.2	21.0	23.0

See footnotes at end of table.

Continued--

Table 26--Selected meat imports by value and supplier share, EC--continued

SITC code	Commodity and origin	1974	1975	1976	1977	1978	1979
		Million dollars					
01	Meat and meat preparations <u>1/</u>	5,217.6	6,020.8	6,234.3	7,161.1	8,822.5	10,352.6
	United States	158.8	186.1	237.0	246.8	289.3	355.3
	Argentina	302.4	169.6	293.3	346.7	424.0	540.2
	New Zealand	317.0	334.5	303.1	344.0	430.0	484.0
	Eastern Europe	410.3	484.6	463.2	421.9	510.8	504.2
	Intra-EC	3,583.3	4,470.1	4,466.8	5,326.4	6,644.5	7,784.4
0115	Horsemeat, fresh <u>1/</u>						
	United States	133.0	155.4	183.3	217.7	269.6	323.3
	Canada	43.4	62.2	76.9	91.2	118.3	147.6
	Latin America	17.3	20.1	18.6	21.3	26.1	30.6
	Eastern Europe	39.2	38.1	46.2	44.2	55.9	69.7
	Intra-EC	12.8	14.8	16.7	22.4	26.1	30.6
		12.7	15.0	20.3	32.5	34.8	35.7
0116	Edible offals <u>1/</u>						
	United States	274.6	292.1	363.6	367.8	443.9	527.4
	Canada	86.9	91.7	128.9	125.8	137.6	163.6
	Latin America	9.0	7.2	10.1	8.7	12.5	15.6
	Australia-New Zealand	26.7	27.9	51.2	55.8	66.4	59.6
	Intra-EC	62.9	64.2	66.5	65.9	86.9	115.0
		76.9	88.7	93.5	98.6	122.9	150.9
		Percent					
01	Meat and meat preparations <u>1/</u>	100.0	100.0	100.0	100.0	100.0	100.0
	United States	3.0	3.1	3.8	3.5	3.3	3.4
	Argentina	5.8	2.8	4.7	4.8	4.8	5.2
	New Zealand	6.1	5.6	4.9	4.8	4.9	4.7
	Eastern Europe	7.9	8.1	7.4	5.9	5.8	4.9
	Intra-EC	68.7	74.2	71.6	74.4	75.3	75.2
0115	Horsemeat, fresh <u>1/</u>						
	United States	100.0	100.0	100.0	100.0	100.0	100.0
	Canada	32.6	40.0	42.0	41.9	43.9	45.7
	Latin America	13.0	12.9	10.2	9.8	9.7	9.5
	Eastern Europe	29.5	24.5	25.2	20.3	20.7	21.6
	Intra-EC	9.6	9.5	9.1	10.3	9.7	9.5
		9.6	9.6	11.1	14.9	12.9	11.0
0116	Edible offals <u>1/</u>						
	United States	100.0	100.0	100.0	100.0	100.0	100.0
	Canada	31.7	31.4	35.5	34.2	31.0	31.0
	Latin America	3.3	2.5	2.8	2.4	2.8	3.0
	Australia-New Zealand	9.7	9.6	14.1	15.2	15.0	11.3
	Intra-EC	22.9	22.0	18.3	17.9	19.6	21.8
		28.0	30.4	25.7	26.8	27.7	28.6

NA = Not available.

1/ Totals include imports from countries/regions in addition to those listed.
Source: (10).

offals) from 93 percent (1967-69) to 97 percent (1977-79), in poultry from 101 to 105 percent, and in beef from 89 to 96 percent (4). The shares of the EC's two major external suppliers, Argentina and New Zealand, underwent gradual but marked declines during 1967-79. In terms of sales, however, the market remains a major one for both countries.

The EC applies a tariff of 20 percent on imports of "high quality" fresh, chilled, or frozen beef and pork (excluding offals), within the limits of a highly restricted quota. Outside the limited quota, variable import levies are applied in addition to the tariffs. Until recently, sheep meat was outside the regime of levies and quotas, and limited only by the 20-percent tariff. Starting in 1980, it, too, was brought under the CAP (1). Fresh, chilled, and frozen poultry and poultry parts are not subject to tariffs but enter under a highly restrictive variable levy system. The ACP countries are given substantial preferences for all of these meats.

Poultry meat was a significant U.S. export to the EC during the sixties. During 1967-69, it accounted for 16 percent of U.S. meat shipments to the Community, most of it to West Germany. The CAP policy eventually shut out most U.S. poultry through its protective variable levy system and its success in making the Community self-sufficient. In fact, the EC is currently a surplus producer of poultry meat, and subsidized exports compete with the United States in many non-EC markets. Limited potential exists, however, for U.S. exports of poultry specialties such as turkey convenience foods.

Goat and horsemeat are not included in the CAP variable levy system but are subject to fixed tariffs. Cattle offals are also free of variable levies, and are subject to tariffs of 0 to 7 percent, depending on type and intended use. Horsemeat is charged an ad valorem tariff of 8 percent. Only poultry and pork offals are subject to variable levies as well as fixed duties.

The relative consistency of the U.S. share is due to the fact that most U.S. meat exports to the EC consist of specialties not subject to either variable import levies or high tariffs. Edible offals accounted in 1967-69 for nearly three-fourths of U.S. meat shipments to the Community; in 1977-79 they made up half of the total. EC imports of U.S. edible offals during 1977-79 were valued at an average of \$142.3 million annually, of which over half were beef and calf offals (except livers) and almost one-fifth were beef and calf livers. The United States is the principal supplier to the EC of edible offals, with 32.1 percent of the market during 1977-79.

The other major U.S. meat export to the EC is fresh and frozen horsemeat. Demand increased sharply during the seventies as shown by the following table of EC horsemeat imports from the United States.

Year	EC imports	Year	EC imports
	<u>Metric tons</u>		<u>Metric tons</u>
1970	312	1975	44,380
1971	730	1976	50,621
1972	4,438	1977	53,332
1973	21,314	1978	58,441
1974	34,649	1979	60,532

Horsemeat, which accounted for less than 1 percent (by value) of EC meat imports from the United States during 1967-69, made up 40 percent of the EC meat imports from this country during 1977-79. The United States was the principal supplier, with 44.0 percent of the market during 1977-79. The rising popularity of horsemeat and edible offals is attributed to their relatively low price in a period of recession and unemployment.

U.S. meat exports to the EC are thus highly concentrated among a few specialties. Edible offals and horsemeat during 1977-79 accounted for approximately nine-tenths of U.S. sales. France is the largest buyer, purchasing approximately half of EC imports of both items.

The narrow range of U.S. meat exports, both in terms of commodities and destinations, makes the U.S. share of the EC market vulnerable to any major shift in demand or in supply sources. With respect to horsemeat, however, demand in the Community currently far outstrips supply. The major user, France, filled only 13 percent of its own livestock needs during 1977-79, the remainder being either imported as meat or live animals for slaughter. EC import demand for edible offals increased over 50 percent between 1967-69 and 1977-79. Total offal imports increased from an annual average of 254,000 to 379,000 tons.

In view of the rising demand for meat specialties for which the United States is the principal supplier, the U.S. share of the EC market for meat and meat preparations can be expected to remain stable in the 3- to 5-percent range during 1981-85.

Hides, Skins, and Furskins

Hides, skins, and furskins (undressed) as a group accounted for U.S. sales to the EC worth an average of \$274 million annually during 1977-79. The U.S. share of the market for these commodities increased from 7.4 percent during 1967-69 to 10.7 percent a decade later.

Hides and Skins

The U.S. share of the EC market for cattle hides has been characterized by wide year-to-year variations and a gradual decline, as the EC's own intra-trade share increased.

Several observations can be drawn from table 27, showing the volume shares of the EC imports of cattle hides (excluding

calfskins) during 1967-79. ^{17/} First, the intra-EC share of the market, though varying widely in a roughly cyclical pattern, increased from 46.4 percent on average during 1967-69 to 59.3 percent during 1977-79, with the largest member country suppliers being France (17.4-percent volume share during 1977-79), West Germany (13.1 percent), and the United Kingdom (8.9 percent). Second, the U.S. share declined from a 13.1-percent average during 1967-69 to 8.5 percent a decade later. Third, Australia's share showed the largest increase among non-EC suppliers, going from 2.9 percent during 1967-69 to 10.4 percent during 1977-79. Fourth, Argentina's share declined the most, from 10.4 percent to 2.0 percent between the two periods. And finally, South Africa's share was stable, rising from 4.0 percent in 1967 to 4.8 percent a decade later.

Since undressed hides and skins enter the EC without tariff duties or levies, the share changes described cannot be directly attributed to changes in EC policy. The sharp drop in Argentina's share is due to that country's imposition of export controls on raw hides and skins in an effort to promote domestic production and export of semifinished and finished leather and leather goods. Changes in the U.S. and Australian shares are attributed largely to changes in relative prices and supply availabilities. The overall increase in EC imports is based on rising real incomes in the EC and an increasing consumer preference for leather goods.

EC cattle hide imports (excluding calfskins) were valued at an annual average of \$693 million during 1977-79, of which \$62 million came from the United States. Cattle hides from all sources increased sharply in unit value from \$1,040 per ton in 1977 to \$2,000 in 1979.

Italy received 59 percent by volume of EC cattle hide imports from all sources and 45 percent of those from the United States during 1977-79. France and West Germany were the second and third largest markets for U.S. cattle hides.

The U.S. share of the Community market, though subject to annual fluctuations, should remain within the 5- to 15-percent range during 1981-85. In view of the small number of extra-EC suppliers, undressed cattle hides may have good potential for increased sales on the EC market.

EC imports of calfskins averaged 62,041 tons annually, valued at \$183 million, during 1977-79. EC unit prices for calfskin imports rose sharply from \$2,054 to \$3,620 per ton during this period. Intra-EC suppliers accounted for 71.4 percent of total imports by volume, with France alone supplying almost 40 percent. EC calfskin imports from the United States averaged

^{17/} Horse hides are included together with cattle hides (excluding calfskins) in UN trade data (SITC 211). For practical purposes, however, horse hides may be ignored, since total EC imports of horse hides in 1979 accounted for only 1.25 percent by volume of the SITC 2111 group.

Table 27--Cattle hide imports by volume and supplier share, EC

Origin	1967	1968	1969	1970	1971	1972	1973
<u>Metric tons</u>							
Total 1/	349,381	387,089	447,917	403,091	358,427	381,879	342,456
United States:	39,704	56,593	59,019	45,129	34,556	41,139	36,567
Intra-EC	180,265	185,226	177,737	183,966	183,286	186,607	173,381
Other Western:							
Europe	18,664	19,034	20,501	20,107	22,258	19,305	19,652
Argentina	22,509	37,724	66,831	39,159	11,631	12,769	8,419
South Africa	16,225	14,491	17,024	17,902	20,155	24,741	22,456
Australia	9,934	12,198	12,460	14,320	16,737	23,872	20,968
<u>Percent</u>							
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States:	11.4	14.6	13.2	11.2	9.6	10.8	10.7
Intra-EC	51.6	47.9	39.7	45.6	51.1	48.9	50.6
Other Western:							
Europe	5.3	4.9	4.6	5.0	6.2	5.1	5.7
Argentina	6.4	9.8	14.9	9.7	3.3	3.3	2.5
South Africa	4.6	3.7	3.8	4.4	5.6	6.5	6.6
Australia	2.8	3.2	2.8	3.6	4.7	6.3	6.1
	1974	1975	1976	1977	1978	1979	
<u>Metric tons</u>							
Total 1/	371,509	417,285	498,167	453,562	474,953	511,777	
United States:	20,448	26,341	55,286	51,068	26,942	43,472	
Intra-EC	247,036	284,848	296,541	254,914	303,572	295,836	
Other Western:							
Europe	28,022	25,657	22,252	27,718	31,433	34,234	
Argentina	3,568	3,186	10,142	9,272	8,388	10,532	
South Africa	15,990	9,565	17,848	14,411	23,841	31,026	
Australia	16,010	25,576	44,217	50,561	44,200	54,541	
<u>Percent</u>							
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	
United States:	5.5	6.3	11.1	11.3	5.7	8.5	
Intra-EC	66.5	68.3	59.5	56.2	63.9	57.8	
Other Western:							
Europe	7.5	6.2	4.5	6.1	6.6	6.7	
Argentina	1.0	.8	2.0	2.0	1.8	2.1	
South Africa	4.3	2.3	3.6	3.2	5.0	6.1	
Australia	4.3	6.1	8.9	11.2	9.3	10.7	

1/ Totals include imports from countries/regions in addition to those shown in columns.

Sources: (7, 10).

5,510 tons, worth \$15.2 million, during the period, with an 8.9 percent volume share. Italy accounted for almost three-fourths of all EC calfskin imports, the Netherlands and West Germany each took about 10 percent of the total.

The United States is a minor supplier to the EC of goat and kid skins (0.3 percent of total EC imports by volume in 1977-79), sheepskin with wool (1.4 percent), and sheepskin without wool (0.1) percent.

Undressed Furskins EC imports of undressed furskins averaged 14,185 tons, valued at \$1.1 billion annually, during 1977-79. The U.S. average volume share of the market was 14.4 percent; the value share 16.3 percent at \$187 million annually. In 1979 alone, imports from the United States totaled \$236 million.

Other leading suppliers include the EC itself, Finland, and South Africa. Because of the use of auctions to buy and sell many furskins (particularly mink) trade flow data are frequently unreliable as to country of origin.

The main EC furskin imports from the United States are muskrat (valued in 1979 at \$30 million), mink (\$29 million), and miscellaneous including fox and other unspecified types (\$94 million).

Animal Oils and Fats The outlook for U.S. renderers is one of increased competition from their counterparts in the EC and the increased use of vegetable oils, particularly palm oil, to fill some of the functions traditionally filled by animal oils ^{18/}. The application of variable levies to lard and poultry fat have sharply reduced U.S. exports of those commodities to the EC.

EC imports of animal oils and fats increased from an annual average of 785,300 tons during 1967-69 to 1.14 million tons a decade later, a 45-percent rise (table 28). Imports from the United States increased substantially slower, rising by 20 percent from an average 256,300 to 308,000 tons between the two periods. The U.S. volume share of the market fell from 32.9 to 26.8 percent.

Lard plays a diminishing role in U.S. exports to the EC. ^{19/} Shipments fell from an annual average of 79,000 tons during 1967-69 to only 19,500 tons, valued at \$9.8 million, a decade later. Lard accounted for 30.8 percent of total EC animal oil and fat imports from the United States during 1967-69 but only 6.3 percent during 1977-79 and only 1 percent in 1979. Unlike

^{18/} Animal oils and fats here exclude fish and marine animal oils and fats. This definition covers SITC 411 (animal oils and fats) minus 4111 (oils of fish and marine animals) plus 0913 (lard and other rendered hog fat, rendered poultry fat).

^{19/} Lard (rendered hog fat) and rendered poultry fat are included in SITC 0913 and are not shown separately in UN trade statistics. Lard is therefore understood to include rendered fat both of hogs and poultry.

tallow, lard is included under the CAP and is protected by variable levies. The steep drop in EC imports in 1973 can be explained by the U.K.'s accession that year. Before joining the Community, the U.K. was a substantial buyer of U.S. lard. Totals shown for the EC prior to 1973 are comparatively large because they include this U.K. trade (trade statistics in this report are uniformly for the EC-9). After joining the EC in 1973, the United Kingdom adopted the EC's variable levies, including those on lard. These restrictions rapidly reduced U.S. access. Total EC-9 imports of U.S. lard fell from an annual average of 117,000 tons during 1970-72 (the 3 years prior to Britain's accession) to only 31,000 tons during 1973-75, almost a 75-percent decline.

Table 28--Animal oil and fat imports by volume and supplier share, EC 1/

Origin	1967	1968	1969	1970	1971	1972	1973
<u>1,000 metric tons</u>							
Total	756	752	848	907	856	962	941
United States	301	247	221	316	341	296	267
Intra-EC	291	358	370	330	349	423	425
Other	164	147	257	261	166	243	249
<u>Percent</u>							
Total <u>2/</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	39.8	32.9	26.1	34.8	39.8	30.8	28.4
Intra-EC	38.5	47.6	43.6	36.4	40.8	44.0	45.2
Other	21.7	19.5	30.3	28.8	19.4	25.3	26.5
	1974	1975	1976	1977	1978	1979	
<u>1,000 metric tons</u>							
Total	999	955	960	1,192	1,136	1,101	
United States	278	159	252	402	303	219	
Intra-EC	497	569	521	569	604	630	
Other	224	227	187	221	229	252	
<u>Percent</u>							
Total <u>2/</u>	100.0	100.0	100.0	100.0	100.0	100.0	
United States	27.8	16.6	26.3	33.7	26.7	19.9	
Intra-EC	49.7	59.6	54.3	47.7	53.2	57.2	
Other	22.4	23.8	19.5	18.5	20.2	22.9	

1/ Excludes oils of fish and marine animals.

2/ Percentage totals may not add because of rounding.

Sources: (7, 10).

Starting in 1972, EC imports from the United States of "animal oils and fats, not elsewhere specified," which had been less than 3 percent of the total, became more prominent. This group consists of oils and fats from animal bones and waste, and may include restaurant greases (typically containing fats from beef and pork as well as vegetable oils used in cooking). During 1977-79, this residual category averaged 46,550 tons annually, and accounted for 17 percent of EC animal oils and fats imports from the United States. In 1979 alone, it accounted for 27.4 percent of EC imports from this country.

Animal oils and fats are imported by the EC for a wide variety of uses. Higher grade tallow and greases are used to manufacture toilet soap and fatty acids, which have many industrial uses. Lower grade tallow and greases, including pork fat and restaurant greases, are used in compound feeds.

Several factors suggest that the United States should be able to maintain a 20-percent or higher share of the EC animal oils and fats market during 1981-85. EC production and consumption of beef and production of tallow are leveling off or declining slightly, and no rapid recovery is likely.

Demand for tallow and other fats and greases used in industry and feed compounds should remain stable. EC imports of unspecified fats and greases, used in animal feed, should continue to expand somewhat.

TOBACCO

Both unmanufactured tobacco and tobacco product imports from the United States are subject to tariffs.

Unmanufactured Tobacco

The EC is the largest foreign market for U.S. unmanufactured tobacco, taking over 40 percent by volume of total U.S. exports during 1977-79. The U.S. share of the EC market has declined, however, with large year-to-year variations since 1969 (table 29). The 1978 U.S. upswing was a temporary deviation from trend, attributed to strong inventory rebuilding in the EC and the strong U.S. crop that year. EC imports from the United States fell from an annual average of 158,226 tons during 1967-69 to 142,150 tons, valued at \$584 million, 10 years later. The U.S. volume supplier share dropped from 37.6 to 26.1 percent between the two periods. Despite the volume and market share decline, the United States is still the leading supplier of unmanufactured tobacco to the EC. The United States supplied 26.1 percent, Brazil 11.7 percent, India 6.4 percent, Italy 6.0 percent, Canada 4.6 percent, and Malawi and South Korea, 4.3 percent each.

Total EC imports from domestic and external suppliers increased from an annual average of 421,285 tons during 1967-69 to 538,388 tons in 1977-79. This 3.2-percent annual average growth rate is substantial compared with that of most world importers.

U.S. tobacco producers face substantial competitive disadvantages in the EC market, largely because of policies which provide preferential access to virtually all competing producers except Canada, South Africa, and the centrally planned countries (Yugoslavia, however, is granted preferential access for certain types of tobacco).

Since tobacco is grown in the EC, it falls within the scope of the CAP. In Italy, output averaged 111,000 tons annually during 1977-79, while France produced 48,000 tons and West Germany about 9,000 tons annually during that period. Of the three, only Italy is a significant exporter of unmanufactured tobacco. The CAP established EC preference by tariffs and subsidies rather than through variable levy import protection. The EC fixes a "standard" or "norm" price, which is a producer target price, for each of 20 types or groups of tobacco types. An intervention price is fixed for each of these types, usually well above prices of comparable imported tobacco. Thus, to ensure the purchase of domestic tobaccos, a premium is paid to buyers of EC domestic leaf, which makes EC-grown tobacco competitive with imported tobacco (16).

U.S. tobacco entering the EC is subject to tariffs. Most U.S. varieties fall under the heading, "flue-cured Virginia type and light air-cured burley type (including burley hybrids); light air-cured Maryland type and fire-cured tobacco." These types are subject to an ad valorem duty of 23 percent with a minimum of 28 EUA 20/ per kilogram net (17 cents per pound in 1980) and a maximum of 30 EUA per kilogram (19 cents per pound). The maximum rate, which places a ceiling on the duty, is the most significant element in this formula, in effect establishing the effective tariff in most cases.

The import tariff places U.S. tobacco at a competitive disadvantage not only with domestic EC producers but with most other suppliers as well. Tobacco from Greece and Turkey, together accounting for EC imports averaging 33,000 tons annually during 1977-79, enters the EC duty-free under special preferential trading arrangements. Greek accession to the EC assured that country continued free access. Tobacco from the ACP countries enjoys unlimited duty-free access. Tobacco from all other developing countries, including such major suppliers as Brazil and India, enters the EC at sharply reduced rates within the quantitative limits established by tariff quotas under the GSP (Generalized System of Preferences).

Of great potential significance to the U.S. share of the EC market is the return of Zimbabwe (formerly Rhodesia) to the market place. Rhodesia's Unilateral Declaration of Independence (UDI) in 1965 led to UN sanctions and embargoes which effectively removed it as a supplier. Since Rhodesia

^{20/} European Unit of Account (EUA) or Unit of Account (UA) is a standard of value for denominating prices throughout the EC, equivalent for most purposes to the European Currency Unit (ECU).

had been a major tobacco supplier to the EC (17.4 percent in 1964), its withdrawal from the market provided a strong boost to the United States, India, and other major producers. Removal by the UN of trade sanctions against Zimbabwe in December 1979 reintroduced it as a major competitor on the market, especially since its imports into the EC are now accorded duty-free access.

The accession of Greece, Spain, and Portugal to the EC will probably not have a serious impact on U.S. sales. The CAP may stimulate additional production in Greece, but land resources are limited. Greek output during 1977-79 averaged 124,000 tons, principally oriental varieties not directly competitive with U.S. varieties. Spain is currently attempting, with considerable success, to achieve 80-percent self-sufficiency in tobacco output. Spain is not considered a near-term threat to U.S. sales, however, both because of limits on resources and because the bulk of tobacco produced is dark tobacco, not directly competitive with the lighter U.S. varieties. Spanish production averaged 30,000 tons during 1977-79.

Current EC efforts to establish a harmonized excise tax on tobacco products throughout the EC could seriously affect U.S. sales. To the extent that such a harmonized tax has a large ad valorem component, levied as a fixed percentage of the retail price, it would discourage use of more expensive, higher quality imported tobaccos, including those from the United States. Under an ad valorem tax, the amount of tax payable increases proportionately with the price of the product. A specific tax, on the contrary, is levied as a monetary amount per unit (for example, per cigarette or per pound of smoking tobacco), and does not vary according to the price of the product. The final outcome of the current protracted EC negotiations is unknown, but adoption of an EC-wide excise tax with a large mandatory ad valorem component is a strong possibility.

The serious competitive disadvantages faced by U.S. unmanufactured tobacco exports are offset, to some degree, by the popularity of high quality U.S. light tobaccos among Western European smokers. But because of the EC's preferential tariff policies, the reemergence of Zimbabwe as a supplier, and possible cigarette tax harmonization of a type discouraging use of more expensive tobacco, the U.S. share is not likely to rise above the 20- to 30- percent range of the seventies and may well fall below that level during 1981-85.

Tobacco Products

EC imports of U.S. tobacco products are curtailed by prohibitively high EC tariffs. The CXT on cigarettes is 90 percent, cigars 52 percent, and smoking tobacco 117 percent.

EC tobacco product imports from all sources were valued at an annual average of \$825.3 million during 1977-79. Because of the high tariffs, 93.7 percent of EC imports were from its own suppliers. EC purchases from the United States averaged \$16.2

million, a supplier share of 2.0 percent. The United Kingdom accounted for half of EC imports from the United States.

Spain receives a preferential rate of 40 percent of the CXT. Several Mediterranean and all the ACP countries are granted duty-free entry for all tobacco products exported to the EC. In general, however, these countries do not produce products of a kind widely used in the EC.

COTTON

The EC import market for raw cotton declined slowly but steadily during 1967-79. Imports from the United States fell from an average of 180,000 tons during 1967-69 to 124,000 tons a decade later (table 30). The principal reasons for the decline were competition from manmade fibers produced by the EC's large, efficient synthetic fiber industry, and a drop in EC production of cotton textiles because of intense competition from imported textiles, particularly from developing countries.

The U.S. volume share of the EC cotton market has also declined gradually, from an average of 13.5 percent during 1967-69 to 11.8 percent a decade later. During 1977-79 period, the U.S. share was exceeded by the Soviet Union's 15.5 percent. Turkey was the third largest supplier, with 9.0 percent.

West Germany was the principal buyer of U.S. cotton during 1977-79, taking 28.2 percent by volume of the total. Italy at 26.8 percent, France at 22.8 percent, and the United Kingdom at 15.5 percent accounted for most of the remainder.

The United States is likely to retain its rank in the top three suppliers to the EC for the next several years. Apart from the Soviet Union, Turkey, and the United States, EC sources of cotton include numerous countries throughout the developing world, none of which averaged more than 4.0 percent of the market during 1977-79 (Guatemala had 3.6 percent, Syria had 3.8 percent, Sudan had 3.6 percent, Colombia had 3.0 percent, and Egypt had 3.1 percent). The EC cotton market is characterized by great diversity of supply, with few suppliers enjoying large shares. Shares tend to vary widely from year to year depending on prices and availabilities.

From the standpoint of competition to the United States, the sharp increase of EC cotton imports from the Soviet Union since 1974 is the most notable development. The Soviet share, which had not exceeded 10.5 percent during 1966-73, suddenly climbed from 8.9 percent in 1974 to 15.7 percent in 1975, peaking at 19.7 percent in 1976 before declining to 12.6 percent in 1979. The large expansion in Soviet sales reflected a rapid rise in cotton production (cotton output in the Soviet Union increased by 37 percent between 1967-77), plus the Soviet policy to offer cotton at relatively low prices within the framework of bilateral arrangements. The principal EC buyers of cotton from the Soviet Union during 1977-79 were France (accounting for 43 percent by volume),

West Germany (22 percent), the United Kingdom (16 percent), and Italy (13 percent).

Overall demand for cotton by the EC will remain stable during 1981-85, with a slight increasing trend possible. The EC countries have adopted bilateral agreements with low-cost cotton textile-producing countries in an effort to protect the EC's hard-hit cotton spinning and weaving industries. ^{21/} These may make possible a small increase in EC production and consequently a slight rise in demand for raw cotton during the early eighties. In any case, no major change from current demand levels is anticipated.

Raw cotton enters the EC free of tariffs and levies, while carded or combed cotton is subject to a 1.5-percent tariff. Raw U.S. cotton imports therefore enjoy equal access with those from the Mediterranean and other preferential agreement countries while carded cotton faces a small tariff disadvantage.

Within the EC only Italy produces cotton, with an output of less than 500 tons per year. Italian cotton farmers receive some assistance in the form of direct payments per hectare cultivated although technically, this is for cottonseed, not the cotton itself (16).

Greece's accession to the EC in 1981 brought a genuine cotton-producing country into the organization. The probable accession of Spain in 1984 will reinforce domestic EC output. Cotton can therefore be expected to receive more attention from the EC in terms of price supports and similar measures. Greece in 1977-79 produced an annual average of 137,000 tons of cotton. It exported only 22,000 tons, however, while importing 22,750 tons. While CAP price supports may increase Greek output, availabilities for export to other EC members will be restrained by limited land resources.

Spain is capable of substantial cotton production, but output declined from a high of 112,000 tons in 1962 to an average of 39,000 tons annually during 1977-79. The declining trend was reversed in 1979, and by 1981 the crop totaled 54,400 tons. In 1979, the Government launched a 5-year Cotton Expansion Plan, with a goal of making Spain 50-percent self-sufficient in cotton through sharp support price increases, financial aids for mechanization of harvesting, and other economic incentives. Plans call for an output of 65,000 tons by 1985 and 100,000 tons by the end of the decade. If these developments occur as scheduled, Spain may become a significant source of EC cotton imports, particularly after its accession in the mideighties.

^{21/} These agreements were concluded within a larger framework provided by the Multifiber Arrangement (MFA), signed by approximately 50 countries in 1974 and extended in 1981.

Table 30--Cotton imports by volume and supplier share, EC

Origin	1967	1968	1969	1970	1971	1972	1973
<u>1,000 Metric tons</u>							
Total 1/	1,360	1,322	1,289	1,041	1,138	1,126	1,111
United States	233	200	107	73	117	109	190
Intra-EC	75	73	68	66	72	73	78
Latin America	346	348	514	318	143	204	190
Asia	294	304	246	259	341	273	251
Africa	278	288	272	262	233	223	250
Eastern Europe:	97	73	60	36	55	86	127
Soviet Union	74	58	55	27	46	60	117
Other	37	36	22	27	177	158	25
<u>Percent</u>							
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0
United States	17.1	15.1	8.3	7.0	10.3	9.7	17.1
Intra-EC	5.6	5.5	5.3	6.3	6.3	6.5	7.0
Latin America	25.4	26.3	39.9	30.6	12.6	18.1	17.1
Asia	21.6	23.0	19.1	24.9	30.0	24.3	22.6
Africa	20.4	21.8	21.1	25.2	20.5	19.8	22.5
Eastern Europe:	7.1	5.5	4.7	3.5	4.8	7.6	11.4
Soviet Union	5.4	4.4	4.3	2.6	4.0	5.3	10.5
Other	2.7	2.7	1.7	2.6	15.6	14.0	2.3
	1974	1975	1976	1977	1978	1979	
<u>1,000 metric tons</u>							
Total 1/	1,065	1,037	1,169	988	1,095	1,047	
United States	136	95	75	105	125	141	
Intra-EC	93	82	116	99	91	92	
Latin America	214	242	154	179	216	185	
Asia	215	242	318	192	244	196	
Africa	190	177	217	183	174	192	
Eastern Europe:	107	177	254	204	200	162	
Soviet Union	95	163	230	180	171	132	
Other	110	22	35	26	45	79	
<u>Percent</u>							
Total 1/	100.0	100.0	100.0	100.0	100.0	100.0	
United States	12.8	9.2	6.4	10.6	11.4	13.5	
Intra-EC	8.7	7.9	9.9	10.0	8.3	8.8	
Latin America	20.1	23.3	13.2	18.1	19.7	17.7	
Asia	20.2	23.3	27.2	19.4	22.3	18.7	
Africa	17.8	17.1	18.6	18.5	15.9	18.3	
Eastern Europe:	10.0	17.1	21.7	20.6	18.3	15.5	
Soviet Union	8.9	15.7	19.7	18.2	15.6	12.6	
Other	10.3	2.1	3.0	2.6	4.1	7.6	

1/ Totals may not add because of rounding.

Sources: (7, 10).

Although the U.S. share of the EC cotton market can be expected to rank within the top two or three suppliers during 1981-85, the actual volume share of the market will remain low, within the 6 to 12 percent range. In view of the wide diversity of suppliers, large year-to-year variations are probable.

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Japan to Increase Imports of U.S. Grains and Meats



"I am impressed with the quality and thoroughness of this work. It represents a real contribution to our understanding of Japanese agriculture."

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Japan has long been one of the most important markets for U.S. agricultural exports, especially grains and oilseeds. A new report by USDA's Economic Research Service, *Japan's Feed-Livestock Economy: Prospects for the 1980's*, helps explain why that has been so and why future farm exports to Japan will probably rise even higher.

Each year, Japan purchases about 20 percent of total U.S. corn exports, 50 percent of U.S. sorghum exports, and more than 20 percent of U.S. soybean exports. By 1990, the United States may be able to increase its grain and soybean exports by a third and quintuple its beef exports, according to William Coyle, author of the report. In contrast,

the Japanese market for imported dairy products, pork, and poultry will show little or no growth. The United States provides more than 65 percent of Japan's imports of coarse grains (corn, barley, sorghum), 95 percent of its soybean imports, and 71 percent of its soybean meal imports.

The report includes extensive tables and charts on Japanese consumption, production, and trade of beef, dairy, poultry, fish, and feed grains. It also includes two sets of consumption projections through 1990 for each commodity, one projection by the Japanese government and one by ERS.

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The European Community may have to reduce its agricultural support programs and export subsidies in order to avert a budget crisis, according to a report by USDA's Economic Research Service. Those reductions ought to make U.S. exports more competitive.

Developments in the Common Agricultural Policy of the European Community examines how the EC's farm program (CAP) may evolve, indicates potential price levels in various European countries, and assesses the implications for trade with the U.S. and other countries.

Sweden, although not a member of the EC, is also reducing its farm programs and farm expenditures. *Sweden's Agricultural Policy*, also published by ERS, is the only report available in English to describe recent changes in Sweden's agricultural policies and programs, including the major provisions of Sweden's 1982-84 farm program.

Two of the major changes dealt with in the report are Sweden's reduced government subsidies for agricultural exports (a major aim of U.S. world trade policy) and its changes in import levies for beef and pork.

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